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4 February 1982

## LATIN AMERICA REPORT

No. 2443

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## NEW GAS PIPELINE STATISTICS, BENEFITS REVIEWED

## NEW GAS PIPELINE STATISTICS, BENEFITS REVIEWED

Buenos Aires CONVICCION in Spanish 11 Dec 81 p 9

[Text] Beginning today the Loma de La Lata locality in the province of Neuquen will be linked via the Central-Western Pipeline to the provinces of Mendoza and Santa Fe.

The announcement was made at a press conference by Gas del Estado /National Gas Agency/ and COGASCO SA /Central-Western Gas Company/ (the company that was awarded the construction contract and was responsible for the overall putting into operation of the gas pipeline).

This project was undertaken by the state to put an end to the chronic supply shortage in the western and central regions of the country owing to insufficient production from local deposits. Until now, these regions have been being supplied with air-diluted gas--a service that has been unreliable and subject to discontinuities.

The Central-Western Pipeline will eliminate this shortage and, in the case of the cities of Mendoza and San Juan, will replace 25,000 tons annually of liquefied gas being imported at a current cost of over \$11 million annually.

#### Characteristics

The central branch of the Central-Western Pipeline is 1,120 kilometers long and 76.2 centimeters in diameter. Secondary branches add another 600 kilometers to this length.

The central branch starts at the Loma de La Lata locality in Neuquen, and goes to Beazley in San Luis, where it divides into two branches. The first of these goes to the capitals of Mendoza and San Juan; the second goes to Santa Fe, where it joins up with the Northern Pipeline (at the San Jeronimo locality) to increase the supply reaching the Federal Capital.

#### Capacity

Operation of the Central-Western Pipeline is to be echeloned in accordance with three successive phases to reach its maximum transport capacity.



# Central-Western Gas Pipeline

## Central-Western Gas Pipeline



(4) La longitud del gasoducto unirla supuestamente Italia, Suiza, Bélgica, Holanda y Alemania.

Key:

1. Section.
2. Length.
3. Pipe diameter.
4. Hypothetically, the length of the pipeline would link Italy, Switzerland, Belgium, Holland and Germany.

For the first phase (21 months hence), delivered capacity is to total 5 million cubic meters daily. One year later, capacity will reach 7 million cubic meters daily (second phase 31 months later), and beginning 2 years later and until termination of the contract the delivered capacity will be 10 million cubic meters daily (third phase 45 months later) [as published].

#### Tolls and Costs

As awardee of the contract, COGASCO SA will receive a toll for 15 years in payment of the construction, after which the pipeline reverts in full to the National Gas Agency.

The project was financed by way of a five-loan package, each loan of which is independent of the others as regards due dates and interest rates, and two of which were provided by the government of Holland.

The total cost of the operation came to \$800 million.

#### Processing and Treatment of the Gas

At the pipeline wellhead, Loma de La Lata, a processing plant has been installed to extract water and gasoline, as well as to separate propane and butane. This operation will be implemented in two phases. In the first phase, 30,000 tons of butane and 37,000 tons of propane will be obtained from the processing of 3 million cubic meters of natural gas, annually.

In the second phase, beginning 2 years later, 6 million cubic meters of gas will be processed annually to obtain 85,000 tons of propane and 185 cubic meters of gasoline a year.

9238  
CSO: 3010/513

## LEGISLATOR COMMENTS ON CEPE PUNGARAYACU PLANS

Quito EL COMERCIO in Spanish 8 Jan 82 p A 3

[Summary] The president of the permanent legislative committee on economic, agricultural, industrial and commercial affairs, Hugo Caicedo commented that CEPE's drilling of 12 oil wells in the Pungarayacu region could make the area a pole of development in eastern Ecuador. A huge profit for the national treasury could result. He said that the estimated 10 billion barrel deposit occupied about 200 square kilometers between the "Napo Galeras" Upheaval and the Cordillera Real. Caicedo added that the oil at Pungarayacu is heavy and would have to be highly refined. This would require a heavy investment, but crude oil prices have been rising and foreign governments and companies want to exploit the deposit. There is also a great concentration of other minerals there that has not yet been exploited.

Caicedo said that a Pungarayacu industrial city should be planned in the East to reaffirm our sovereignty in the region and to stem the migration to Quito and to Guayaquil. Its major economic activity would be the exploitation and refining of petroleum products, but it would also produce secondary products such as asphalt, sulphur, vanadium, cement, wood products, etc. for the region's infrastructure.

He warned that the development of Pungarayacu will take many years and will require high technology and massive investment. "We should be pragmatic in the analysis of our present situation and recognize that we do not currently meet these conditions," he concluded.

CSO: 3010/683

## BRIEFS

SOVIET OIL TANKS--Guayaquil--The USSR has offered to supply oil storage tanks worth \$28 million to the Ecuadorean State Petroleum Enterprise to be paid for with bananas over an 8-year period. This would guarantee the sale of 20,000 metric tons of bananas now that our exports have dropped and some distress is evident in the banana production sector. The sale conditions offered by the Soviet Union are highly favorable to Ecuador, not only because of the prestige of Soviet technological knowhow in the field of equipment manufacturing and installations for oil exploitation and processing, but because payment is to be made in bananas over a period of 8 years at an annual interest rate of 8 percent, with a 2-year grace period. It has also been reported that the talks between the two governments were held on the basis of a broad offer of technological and financial cooperation with Ecuador. [Text] [PA081628 Quito Voz De Los Andes in Spanish 1230 GMT 8 Jan 82]

OLADE COOPERATION PROGRAM--Quito, 24 Jan (AFP)--The Committee for Implementation of the Latin American Energy Cooperation Program (PLACE), which was organized by OLADE, has studied the ways and means for implementing the program. According to reports, the results of this meeting will be announced at the next meeting of OLADE's Ministers Committee, which is formed by Brazil, Mexico, Venezuela, Jamaica, Costa Rica and the Dominican Republic, when they meet in mid-February in Rio de Janeiro. PLACE has been defined as "a long-range political and technical strategy for coordinated and approved action by Latin American countries in the field of regional energy cooperation." Its main objectives are to relate production and the use of energy to the goals of an original and sustained development process, to increase and diversify the energy supply and regional scientific and technological capacity and to regulate the production and consumption of energy. [Excerpts] [PA250109 Paris AFP in Spanish 1603 GMT 24 Jan 82]

NEW CEPE INSTALLATIONS--The Ecuadorean minister of natural resources and energy, Eduardo Ortega Gomez, authorized the Ecuadorean State Petroleum Corporation to contract the building of platforms in the fields of Cuyabeno and Bermejo, as well as the [word indistinct] maintenance of access to the oil wells in the Amazon region. Ortega explained that the projects are aimed at increasing oil production and oil reserves according to the ministry's plans. The ministerial agreements authorizing these projects are: Agreement 1120, which will allow the construction of platforms in Cuyabeno field, for a total of 42 million sucres; Agreement 1121 for the construction of platforms in Bermejo field, for approximately 35 million sucres; and Agreement 1126, which will allow for the [word indistinct] maintenance of access to oil wells in the northern Amazon region, for a total of approximately 20 million sucres, [word indistinct] for 3 years. [Text] [PA220449 Quito Cadena Ecuador Radio in Spanish 2300 GMT 21 Dec 81]



COOPERATION AGREEMENT WITH VENEZUELA--An energy cooperation agreement has been signed between the Venezuelan Institute of Petroleum Technology and the Ecuadorean State Petroleum Corporation. Venezuelan Energy Minister Humberto Calderon said Venezuela will help Ecuador train personnel and establish a petroleum research institute. [PA191519 Quito Voz De Los Andes in Spanish 1230 GMT 19 Dec 81]

INCREASED CRUDE SALES--Sales of crude made by the Ecuadorean State Petroleum Corporation from January to November of this year increased by 5 percent in comparison with the same period last year. Revenue from such sales for the period were \$32,638,384 surpassing the 1980 figure by \$1,522,458. [PA181520 Quito Cadena Ecuador Radio in Spanish 2300 GMT 15 Dec 81]

CSO: 3010/710

## HONDURAS-MEXICO TRADE AGREEMENTS BEING NEGOTIATED

PA221607 Tegucigalpa Domestic Service in Spanish 1130 GMT 22 Jan 82

[Text] Economy and Commerce Minister Ruben Mondragon said that Honduras has managed to sell 20,000 tons of cement to Mexico for the next few days and that this figure will be expanded to 5,000 tons per month. [sentence as heard]

Foreign Trade Director (Luis Torres) and [words indistinct] have gone to Mexico City to sign this trade agreement. Minister Mondragon added that in the next few days the [word indistinct] to begin a trade agreement between the two nations will be settled with Mexican economy officials.

Regarding the export of 65 Honduran products to Mexico, the minister said that the Mexican Government has authorized our country to trade along the Mexican border area in addition to the Mexican market.

Minister Mondragon finally said that Mexican officials and private enterprise representatives will come to Honduras next Monday to meet with their Honduran counterparts to analyze other products that could be included in the trade agreement between the two countries.

Minister Mondragon said that Honduras will benefit greatly from this trade agreement because the Honduran products will receive preferential treatment. Mexico is giving a 75-percent tariff discount and the Mexicans will pay the same tariff that Honduran charges to other countries with which it has commercial relations, concluded the economy minister.

CSO: 3010/693

## VENEZUELAN MINISTRY DENIES PERUVIAN EMBASSY 'SCANDAL'

PA141739 Madrid EFE in Spanish 2309 GMT 13 Jan 82

[Text] Caracas, 13 Jan (EFE)--The Venezuelan Foreign Ministry today denied a local newspaper report which implicated officials of the Peruvian Embassy and the Ministry of Foreign Relations in contraband activities. The officials allegedly cooperated to import luxury goods under diplomatic tax exemption.

"No diplomatic scandal exists. The only scandalous thing is the way the newspaper attacked the Foreign Ministry and the Peruvian Embassy," states the Foreign Ministry note.

"These matters are discussed through ordinary diplomatic channels," the note added, pointing out that "the Foreign Ministry, which is respectful of relations with friendly countries, will not discuss this issue with the media."

"It is unfortunate that an attempt is being made to turn events which are alien to the seriousness of countries like Peru and Venezuela into incidents which could affect the relations between the two countries," the Venezuelan ministry explains.

"Venezuela affirms its friendship with Peru and rejects these campaigns which are apparently orchestrated by those trying to create breaches among the nations of the ANDEAN Group and among the authentic democratic governments of Latin America," the note concludes.

The previously mentioned report was published today in EL DIARIO DE CARACAS, which calls the resignation of Walter Brandt, Foreign ministry protocol director, a diplomatic scandal. Brandt had requested the removal of three officials of the Peruvian Embassy for engaging in contraband.

CSO: 3010/705

## PARAGUAY EXPECTS ARGENTINA TO MEET YACYRETA OBLIGATIONS

PY211524 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1839 GMT 14 Jan 82

[Text] Buenos Aires, 14 Jan (NA)--Carlos Saldivar, the Paraguayan Foreign Ministry representative to the Yacyreta Binational Organization, stated here, regarding the beginning of the construction of the Yacyreta Dam in the coming months, that "rather than hoping" his country expects "compliance with agreed upon commitments."

Saldivar made this statement today upon his arrival to Ezeiza National Airport in the company of Enzo Debernardi, the head of Paraguay's National Electric Power Administration (ANDE).

Saldivar explained that his trip to Buenos Aires was for "strictly private reasons," but said that "this does not rule out the possibility of making contacts with persons connected with the Yacyreta Binational Organization."

Then he was asked about the repercussions raised in Paraguay by the comments on the possible postponement of the beginning of the Yacyreta project, in view of the austerity plans of the new Argentine president. He answered that in his country "this matter is considered based on the fact that there is a treaty with the Argentine Republic and that the two sides will meet their obligation as established by the treaty."

Answering another question, Saldivar added that "the treaty is clear enough concerning the obligations of both sides. There is a diplomatic note signed in 1973 committing the Argentine Government to provide its guarantee for all credits granted to the Yacyreta Binational Organization."

He added that "this was clearly specified in the 1973 Yacyreta Treaty." When asked if equal payments should be made by each of the two countries he remarked that "payments should be made by the institution contracting the loan, which is the Yacyreta Binational Organization."

Asked whether Yacyreta's obligations are divided equally between Paraguay and Argentina within the binational organization's structure, he answered that "rights and obligations are equally shared by the two countries."



He reiterated that the treaty stipulates the Argentine Government's guarantee but, he remarked, this has "its compensation, it is not a free concession from the Argentine Republic, and that compensation is Paraguay's obligation to sell the energy it does not use to the Argentine Republic."

Then Saldivar said that in his country "the opinion of the international banks is being awaited in order to immediately make the pertinent awardings."

When asked whether Paraguay hopes for Yacyreta to start moving in the coming months, Saldivar answered that "rather than hoping, and given that our country always meets its obligations, Paraguay expects compliance with agreed upon commitments."

Finally, he said that the beginning of the project "will depend on the developments, for we depend on factors which are not under the control of any of the two countries, as is the opinion of the international banks."

For his part, Debernardi said he was making a 1-day private visit and he would not make official contacts. When asked about the increase of the cost of Yacyreta, which is practically twice the initial \$5 billion estimate, Debernardi said that "it is not something that should raise concern."

Debernardi recalled that "the same thing happened with Itaipu: Its initial budget was \$2 billion and now that figure amounts to \$12 billion."

CSO: 3010/705

## BRIEFS

VENEZUELA OPENS MARKET TO ANDEAN PARTNERS--Lima, 20 Jan (AFP)--Washington Herrera, member of the Cartagena Board--a technical consultative organization of the Cartagena Agreement--reported here today that Venezuela had opened its market to products from its four ANDEAN partners. On his arrival from Caracas, Herrera said that the Venezuelan Government last Friday approved a decree eliminating import restrictions on 4,000 Bolivian, Peruvian, Colombian and Ecuadorean products. Herrera termed the lifting of the restrictions as a momentous measure, for Venezuela is the most important market in the subregion. He stated that Venezuela was behind in complying with its ANDEAN commitments. Upon underscoring the opening by Venezuela, he said that after its worst year, 1981, the ANDEAN Pact is now heading toward a vigorous take off with the support of the five member governments. Herrera in ending remarked that two ANDEAN conferences will be held in February, one in Lima on transport and the other in Caracas on tourism. These conferences will be attended by ministers and will be designed to adopt new provisions in the fields of transport and tourism. [Text] [PY220050 Paris AFP in Spanish 1843 GMT 20 Jan 82]

ANDEAN PACT 1981 FAILURES--The Cartagena Agreement Board will become more pragmatic in 1982 by placing more emphasis on the agricultural sector, by promoting exports programs and the real integration of the members of the ANDEAN Group. This is what the coordinator of the Cartagena Agreement Board, Ambassador Jose de La Puente Radbill, told EL COMERCIO. He added that 1981 was an unfavorable year since the established goals were not achieved, mainly due to two things: the economic crisis that the great powers are presently experiencing and the politicization of the ANDEAN Group. He noted, however, that there are great prospects for this year, particularly due to the amendment of Decision No 46 regarding the establishment of multinational enterprises, since in view of this there will be three new multinational enterprises which will be financed by the ANDEAN Development Fund (CAF) and to a minimum degree by foreign aid. [Excerpt] [PY202104 Lima EL COMERCIO in Spanish 2 Jan 82 p A-9]

PARAGUAYAN DELEGATION TO HONDURAN INAUGURATION--The executive branch yesterday approved Decree No 30,388 submitted by the Foreign Ministry, designating a special mission that will represent the Paraguayan Government at the Honduran presidential inauguration. The official delegation will be made up of Luis Maria Argana, first vice president of the Chamber of Deputies and leader of the Colorado Party deputies, who will head the delegation with the rank of ambassador on a special mission. The mission will also be made up of Juan Alberto Llanes, Paraguayan ambassador to Honduras and Francisco Zapaca, Paraguayan consul in Honduras, with the rank of counselor on a special mission. [Text] [PY230013 Asuncion ABC COLOR in Spanish 21 Jan 82 p 8]

FOREIGN MINISTER TO BRAZIL--Brasilia, 23 Jan (AFP)--Diplomatic observers indicated here today that the announcement that Argentine Foreign Minister Nicanor Costa Mendez will visit Brazil, at the invitation of his Brazilian colleague Ramiro Saraiva Guerreiro, has revealed that the two governments have decided to consolidate their relations. The announcement of the Argentine foreign minister's trip, which will take place on 3 and 4 March, was made on Friday by the foreign ministries of the two countries. Costa Mendez' trip to Brasilia, his first trip as foreign minister, confirms the opinion of diplomatic circles of this city that the new Argentine Government will ratify the agreements signed with Brazil during the past 3 years, when the new era of understanding started between the two countries. It is the opinion of diplomatic observers that Costa Mendez' visit in March indicates that Brazilian-Argentine relations will not be affected by the change of presidents that occurred in December in Buenos Aires. A date for a meeting between Presidents Joao Figueiredo and Leopoldo Galtieri could be set during the visit. [Excerpts] [PY231257 Paris AFP in Spanish 1203 GMT 23 Jan 82]

CREDIT TO EL SALVADOR--San Salvador, 9 Jan (TELAM)--In compliance with the terms of an agreement signed in August 1981, El Salvador has expanded its credit to import machinery, raw materials, spare parts and other elements. Argentina has extended this \$30 million credit for an indefinite term in view of the present situation in El Salvador. [Buenos Aires TELAM in Spanish 0938 GMT 9 Jan 82 PY]

CREDIT TO DOMINICAN REPUBLIC--Buenos Aires, 13 Jan (TELAM)--The Central Bank has reported that it granted a \$30 million credit to the Dominican Republic Central Bank to finance the purchase of Argentine products and services. In a communique issued last night the Central Bank reports that payments of this credit will be channeled through the reciprocal credit agreement signed between the two institutions in 1978. [Buenos Aires TELAM in Spanish 1040 GMT 13 Jan 82 PY]

CSO: 3010/663

## POLITICAL, ECONOMIC IMPACT ON GRAIN TRADE ASSESSED

Buenos Aires LA NACION in Spanish 12 Dec 81 pp 1-2 sec 3

[Article: "Wheat: Marketing Dilemmas"]

[Text] With the harvesting of the wheat crop 50 percent complete, a degree of disconcertion is evident among the producers as they address decisions to be taken with regard to the marketing of the wheat. That is, they must decide between two alternatives, namely: either to sell their product immediately upon completion of the harvest, or to wait a certain period of time in the hope of getting a better return.

This dilemma has its roots in the serious institutional crisis the country is now undergoing, in the uncertainty being generated by the recently adopted economic measures, in the particular situation of each of the farmers, and, in sum, in the outlook for future political and economic growth.

These and other questions were put to different men closely linked to the productive and marketing operations of the agricultural and livestock sector, who, after exhaustive analysis, have contributed their concepts and ideas for a better understanding of the problem.

According to the President of AACREA

For Mr Lorenzo Amelotti, president of the AACREA [expansion unknown], "The attitude of the producer in the face of such an uncertain and indefinite outlook as regards certain key factors of economic policy must needs be cautious. The marketing decisions to be taken must of course be in accordance with each producer's individual financial and economic situation, since the consequences of such decisions can vary widely according to individual situations."

"While the framework of uncertainty is general," he added, "the basic dilemma facing the producer centers on the question of the probable adjustments to be made in the commercial rate of exchange, as regards its total, the rate of depreciation and the time; that is, when it will come about."

"The range of possible impacts on the results of his operation is so wide--if one considers the gap of over 30 percent between the commercial and financial exchange



rates--that calculation of the risk involved in arriving at the basic decision--namely, whether to sell now or to wait--is extremely complex. But regardless of the time at which he markets his grain, it is important that the producer be as well informed as possible as to the marketing situation at that time and of the commercial alternatives available to him."

Mr Amelotti continued, pointing out that "In this respect, there is a base price established by the National Grains Junta of 125,000 pesos a quintal of grade 2 durum wheat at the warehouse.

"Though a mechanism was not set up for adjusting this base price, it is important to realize that after correcting it for the current exchange rate as of the first week of this month it is equivalent to an f.o.b. price of \$194 per ton.

"The f.o.b. price of Argentine wheat for shipment in January is approximately \$183 per ton. Consequently, he said, export of the wheat can result in a considerably lower price than that offered by the National Grains Junta.

"If the devaluation rate of the last 2 weeks continues," he said, "not until early January will the export price be able to compete with the official price."

Lastly, the president of the AACREA said that "It is important to consider also that the price of 125,000 pesos per quintal represents around 10 percent more in terms of constant currency than the historical average of the last 30 years. The producer," he said, "would also be well-advised to evaluate meticulously all the marketing alternatives from the standpoint of optimizing the price of his grain, taking into account his expenses, terms of payment, terms of delivery, and so forth."

According to Mr Saez Garcia

Mr Jose R. Saez Garcia, first vice president of the Buenos Aires Grain Exchange and an official of the Association of Grain Brokers, responded to our inquiry as follows: "The question is closely tied to the financial frame of reference in which the individual producer operates. If the producer is not currently strapped financially, the best advice to him in the political circumstances in which the country presently finds itself is that he abstain from selling until the situation is clarified. A harvest," he emphasized, "cannot be marketed in the uncertain conditions we are all undergoing. Of course," he continued, "if the producer is in financial straits, other factors enter the picture and the advice is no longer the same."

Mr Saez Garcia also called attention to the lack of guidelines for adjusting the official price of wheat, which is being destroyed rapidly if one considers that the inflation rate is running at approximately 10 percent monthly, and said that the lack of due clarification of this aspect is an added reason for advising a measure of restraint in the taking of any somewhat hasty marketing decision.

After pointing out that the market price will be "directly tied to the par of exchange" and that "If we are talking here of a forthcoming unification of ex-

change rates, we still have to see at what value this takes place, and of course that will generate the expectancy of a better price," the vice president of the Grain exchange continued, saying that with the changing of the guard that could occur, "The new guard that will be directing our economic future will have new guidelines or plans to offer." This will all have to be made known soon, because "The farmers were badly burned" with the changes made in the par of exchange after they had already sold their production, as occurred last year with their commodity crop.

Lastly, when he was asked about the peak-price months for the marketing of wheat, Mr Saez Garcia said these are April and May, with sustained levels into June and July. This was markedly true last year, he said, because at about that time the devaluations began to take place and wheat began to be in short supply, all of which drove the price of that grain to really high levels.

According to Mr Jorge Moronta

The first vice president of the CRA [Argentine Rural Confederations], Mr Jorge Moronta, says the producers are mired in uncertainty as to the price of wheat, the economic and political situations we are undergoing, and in sum, the guidelines that will shape the future.

They are therefore adopting, he says, a wait-and-see attitude within their financial limitations that is making for a lower than usual sales volume. Only those who have pressing financial needs are selling, he maintains.

On the other hand, Mr Moronta adds, this is the normal attitude in times of uncertainty like the present.

He says also that the producers must calculate whether or not it is to their advantage to hold back their grain, since this posture also has its risks, in that it is not known what measures could be put into effect.

With respect to the price set by the National Grains Junta, he says that if there were no other outlook the producers would sell at that price, but that there are undoubtedly other possible outlooks of a political and economic nature, which are limiting sales.

The vice president of the CRA thinks there could be a change in the monetary exchange system, he says, and that it will be allowed its free market value as the producers have asked. It is precisely uncertainty in this respect that has brought the country, and particularly the sale of wheat, to a standstill. It is slowing the fluidity of the grain marketing process and is opening the possibility of problems between exports and local consumption, by creating bottlenecks that should not exist.

Asked about the correctness of the economic regulations, Mr Moronta stated that the rural confederations movement deems a unified free market exchange rate indispensable.

The country needs foreign exchange, and the fastest way to get it is to sell the largest possible volume of agricultural produce, he said in conclusion. In this regard, a free exchange rate offers the greatest incentive to increasing production and going after that foreign exchange. It is on the generation of real wealth that the country's growth and hence its general well-being must be based.

According to Mr Volando

Mr Humberto Volando, for his part, said that "Speaking to the concern being felt by the producers, the FAA [Argentine Agrarian Federation] has stated publicly that an overriding uncertainty prevails in the agricultural sector that is harvesting its cash crop, since it does not know what to do with the produce--that is, whether to sell it immediately or wait."

As regards the status of the harvest, Volando estimateed that "To date, a third of the wheat has been harvested, which in round figures could amount to a little over 2.5 million tons, and yet the buyer offering the best prices on the market, the National Grains Junta, has not yet bought a total of 50,000 tons, which added to what has been bought by private brokers and mills comes to a very low figure if one takes into account the financial pressures on the producers and the price of money."

#### Production Cost

"Based on the production cost worked out by our technical department, using the standard method," said Volando, "the warehouse price of a quintal of wheat at this time should be at least 176,130 pesos, whereas the Junta is offering 125,000 pesos and the brokers 118,000 pesos."

He added that "The price being offered by the Junta requires a yield of 24 quintals per hectare for the activity to yield a profit, and the 5-year average yield countrywide has been 16 quintals, a figure that is unlikely to be met this year. In view of the fact that marketing operations under current conditions would result in losses, frustrating 8 months of work and investments, and that the environment is rife with expectancies as to exchange rates, devaluation of the commercial rate, or possible mixes of commercial and financial rates, most of the producers are refraining from selling despite financial pressures, while awaiting clarification of the picture and so as not to be taken in again as happened with this year's commodity harvest, when the devaluations took place after they had sold their production." They are all beset by doubts as to what may happen if the expected devaluation does not come about, because wheat prices on the free market are declining. On 4 November, the offering price was 150,000 pesos, and on the 4th of this month it was 125,000 pesos per quintal at the warehouse. Hence the overwhelming uncertainty."

Lastly, Volando said: "We wish to point out that the production cost figures worked out by the FAA have been questioned constantly by government officials, who have considered them exaggerated, preventing them from becoming effective in the marketplace. But the decapitalization taking place in agriculture today and the mounting level of indebtedness in this sector are the most telling proofs that our calculations were correct."

## BUSINESS GROUP CRITICIZES ECONOMIC PROGRAM

PY181848 Buenos Aires CLARIN in Spanish 2 Jan 82 p 6

[Text] The National Federation of Business Associations (FENAC) has issued a communique in view of the economic measures that have been recently enforced by the Roberto Alemann economic team. The FENAC communique notes that "after 6 years of an obviously ineffective government and an economic leadership that has caused irreparable damage, an expectant and skeptical" nation has witnessed "a disconcerting change that reasserts the guidelines of a policy based on a philosophy that has exalted a bureaucratic elite over which the people have no control."

The communique adds that "the first economic announcements show that our sovereignty has been jeopardized by basing our economy on the dollar [dolarizar]; by combating recession with more recession; and by combating inflation by devaluing the peso to a greater extent than what would have been technically proper and which, moreover, will cause a hike in the inflation rate."

Analyzing the economic situation, FENAC notes that "although the people had to make the greatest sacrifice in the history of the nation to eradicate inflation, this continues to be the main goal of the present economic leadership because of the obvious failure of the past economic policy in this regard." It adds that "after proclaiming that effectiveness and modernization were the main goals to be achieved, the truth is that we have witnessed an unprecedented process of destruction." It notes, moreover, that after "having announced the involvement of the state in the private sector and the eradication of the fiscal deficit, the state is now taking an ever increasing role in the private business sector."

The FENAC communique also states that "since it has been emphatically stated the guidelines of the process are based on moral principles; the nation therefore demands the enforcement of these moral principles and honest government actions." It adds that "although the government has built an image of being a trustworthy defender of our sovereignty, nevertheless we seem condemned to be a dependent country."

The FENAC communique also notes that "although it has been noted that competence is a requirement for all those involved in the process, we are astonished to witness a new and irregular extemporization such as a new Central Bank decision regarding the foreign currency exchange system, which in addition to being an unfair measure, only partially limits unjustified enrichments."

In conclusion, the FENAC communique states that for decades Argentina has been developing its technology and its culture "but today we are merely a country that produces food and oil."

CSO: 3010/663



## ECONOMY MINISTER COMMENTS ON ECONOMIC MEASURES

PY200010 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0227 GMT 19 Jan 82

[Excerpts] Buenos Aires, 18 Jan (NA)--Economy Minister Roberto Alemann tonight denied that he told leaders of the Argentine Industrial Union (UIA) that "interest rates are going to be reduced considerably." He explained that this prospect is only "a wish of the industrialists which I share."

This is how the economy minister rectified the remarks made by UIA President Jacques Hirsch who said that Alemann promised him that a considerable reduction of interest rates will take place.

Alemann, who met with the high-ranking UIA leaders this afternoon, made these remarks during an informal conversation with journalists accredited in the Economy Ministry after the meeting with the UIA leaders. He emphasized that this reduction is only "a wish" of the businessmen over which--despite the fact that he shares this wish--he did not have "too much" hope in this regard.

He indicated, however, that he believes that there are some symptoms indicating that this reduction will take place "some time in the future."

Regarding wages and the reactivation of consumption, he reiterated his known position that the recovery of the Argentine economy will not be achieved through the stimulation of consumption but through investments and exports; therefore he reiterated that the wage readjustments for the public administration will be held back.

On the contrary, he believes that the wages of the workers in the private sector should be increased during 1982 in greater proportion than the wages of the public sector because the wages of this sector grew more proportionally than the private sector during 1981. He explained, however, once again that there is no freezing of wages but a postponement of wage increases.

After an exchange of ideas related to the real meaning of this measure, the minister said in terms he has not used before that he intends to break the habit of periodic increases and have people get their readjustments at the appropriate time in the right amount instead of living with the traditional guidelines of indexation developed in the last few years.

The economy minister also referred to the Argentine foreign debt saying that "as of now it is being paid." He added, however, that a renegotiation cannot be excluded, but discarded the need to establish some type of "stand-by" agreement with the IMF because he does not believe this will be necessary.

Asked about the impact that an eventual U.S. grain embargo on the Soviet Union may have on the country's trade balance--an embargo under study by U.S. President Ronald Reagan--he discarded that possibility, which he believes is a "political pressure" due to the Polish situation, that for the time being there are no reasons for it.

"Poland has Jaruzelski who is an aristocrat and a military man in a Communist country," said Alemann. This is why he believes that the situation has been overcome because an eventual embargo should be based on more serious events such as a direct Soviet intervention; therefore he discarded the possibility of Argentina joining the embargo and thus suffering the resulting problems of its grain surplus.

Regarding the national budget, he said that cuts to greatly reduce expenditures are being made. He added that he was not in a position to say when it is going to be ready. He said, however, that he is preparing the budget in compliance with the law and that he would have preferred to run the economy with periods of less than a year.

The cuts he announced include military expenditures. He said that these are not so difficult, but admitted that the freezing of salaries by the three commanders of the armed forces "only have a symbolic value," that it established the norm that there is a requirement in the high military command to adjust to a plan for reducing expenditures.

The minister denied that "the country is experiencing its worst crisis in history." On the contrary, he believes that the people have greater purchasing power than in the past. As an example he mentioned the successful summer season in the different Argentine resort areas, particularly Mar Del Plata and San Carlos de Bariloche.

CSO: 3010/663

## GOVERNMENT CONFIRMS SOME AMBASSADORS, RELIEVES OTHERS

PY250142 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1528 GMT 21 Jan 82

[Text] Buenos Aires, 21 Jan (NA)--The Foreign Ministry today published a list of political ambassadors who will retain their positions and another of those who will be replaced.

The respective lists are:

Confirmed ambassadors: Washington Alejandro Orfila [ambassador to the OAS]; Maria Cristina Guzman de Andreucci; Gabriel Osvaldo Martinez; Ricardo J. Etchegary; Victor Massuch; Esteban Arpad Takacs [ambassador to the United States]; Julio Alberto Barberi; Carlos Gomez Centurion; Guillermo Moncayo; Ricardo Etcheverry Boneo; Juan R. Aguirre Lanari; Gabriel Nuncio Oliva; Carlos Enrique Laidlaw; Omar Santiago Riveros; Jose Montes; Jesus O. Cappellini; Roberto Temporini; Julio Cesar Etchegoyen; Hugo Camino [ambassador to Brazil]; Rodolfo Cirilo Santos; Gerardo Jorge Schamis and Luis Sanchez Moreno.

Ending their terms are Leopoldo Bravo [ambassador to Italy] due to his having been named governor of San Juan Province; [ambassador to the EEC] Elvio Baldinelli, due to his having been named industry and mining secretary; Brig Gen Jose Carlos Gonzalez, ambassador to Ecuador, at the decision of his service; Brig Gen Jose Maria Romero, ambassador to Bolivia, at the decision of his service; Gen Luis Jorge Warckmeister, ambassador to Egypt, at the decision of his service; Rear Adm (ret) Roberto Wulff de La Fuente, ambassador to Greece, at the decision of his service.

CSO: 3010/663

## BRIEFS

GOVERNMENT FREES DETAINEES--Buenos Aires, 31 Dec (AFP)--The Argentine Government today parolled 10 persons who were at the disposal of the executive branch under house arrest, while last week it freed 51 persons. [PY210201 Paris AFP in Spanish 0043 GMT 1 Jan 82 PY]

NEW YPF PRESIDENT--(NA)--Mario Pineiro was sworn in yesterday as president of the state oil company YPF, replacing General Carlos Suarez Mason. Pineiro is an engineer who has held several government posts, including the presidency of Hidronor. [Text] [Buenos Aires HERALD in English 19 Jan 82 p 9 PY]

WINE TO USSR--Mendoza (NA)--The state-owned G101 wine firm has arranged to sell the Soviet Union 15 million litres of wine with the option for that country to purchase another 5 million litres of wine. The wine will be exported at intervals between this month and next September. [Excerpt] [Buenos Aires HERALD in English 20 Jan 82 p 9 PY]

CSO: 3010/663

## ARMED FORCES ASSIGNMENTS CONFIRMED

PY230023 La Paz PRESENCIA in Spanish 5 Jan 82 p 9

[Excerpt] The general order of assignments of the three branches of the armed forces was made known last weekend. While most commanders of units and institutions and high-ranking chiefs have been confirmed in the Bolivian air force and in the navy, changes have taken place in the army ranging from the high command to the divisions and department chiefs.

The air force reported yesterday that: "The order of assignments complies with the requirements of the military institution." No further details were given because, according to the sources, "changes are very few."

The navy has reported that the only change took place at the 2d naval district, to which Cdr Teodoro Nunez has been assigned.

The following assignments have also been mentioned: Capt Jose Ona, former naval attache in Peru, has been appointed navy general inspector; Cdr Alberto Letelier has been assigned as director of harbors.

In the army, former chief of staff Gen Angel Mariscal was promoted to commander. His closest assistant, the chief of staff, is Gen Guido Vildoso.

The army general staff is made up of the following officers: Col Luis Cordero, chief of Department I; Col Simon Subieta, chief of Department II; Col Carlos Rodrigo Lea Plaza, chief of Department III; Col Arnoldo Pinto, chief of Department IV; Col Gerardo Peralta, chief of Department V.

Other assignments are: 1st division, Col Macario Beltran; 2nd division, Col Carlos Calderon; 3rd division, Col Edwin Peredo; 4th division, Col Alberto Rico Rasmussen; 5th division, Col Jorge Rueda; 6th division, Col Javier Pammo; 7th division, Col Luis Kuramoto; 8th division, Col Jose Quiroz Antequera.

CSO: 3010/664



## WORKERS AUTHORIZED TO ELECT GRASSROOTS COMMITTEES

PY221639 La Paz Radio Illimani Network in Spanish 1100 GMT 22 Jan 82

[Text] Through Ministry Resolution No 014/82 of 21 January, the Labor and Labor Development Ministry--exercising its power--has decided to authorize the various labor sectors of the country to elect and form their grassroots committees according to a schedule established and distributed last night by the mentioned ministry.

The composition of the grassroots committees should comply with the following scale: 2 representatives for 20 to 50 workers; 5 representatives for 51 to 100 workers; 7 representatives for 101 or more workers. A sole grassroots committee, which will represent all the workers, will be formed in each enterprise. Those committees not in accordance with the aforementioned resolution will not be recognized by the labor authorities.

The members of the grassroots committees should fulfill the requirements established in Article No 138 of the General Labor Law, that is, they should be Bolivian by birth, have severed the compulsory military service, be an active worker with 1 year on the job, be free of executed penal sentences, charges or pending trials.

The attributions of the grassroots committees will be the following: They will represent the workers before the enterprises, will take over union offices with the intervention of a representative of AFOPAL [expansion unknown] and will be in charge of union premises.

The ministry resolution, which authorizes the establishment of grassroots committees, also states that the current labor coordinators will be in charge of calling for the election of the aforementioned grassroots committees and that they will end their duties as each sector forms its committee in accordance with the established schedule.

It is the duty of each labor coordinator to submit a report on his administration.

The schedule established by the Labor Ministry points out that the following sectors should elect their grassroots committees in January; railway workers, constructors, bankers, waiters, (?public health) workers, bakers, petroleum workers, store employees, and light and power enterprise employees.

In February the universities, printing shops, factory workers, movies, press, radio and television workers, national highway service employees, telecommunications, town criers [voceadores] and bootblacks will elect their grassroots committees and the same will be done in March by union members [gremiales], retail merchants and other sectors.

The ministry resolution that authorizes the formation of grassroots committees is signed by Labor Minister Col Guido Suarez and Labor Under Secretary (Jorge Pedraza).

CSO: 3010/664

## COMMUNIQUE ON NEGOTIATION OF FOREIGN LOANS

PY221411 La Paz Radio Illimani Network in Spanish 1100 GMT 22 Jan 82

[Undated official communique issued by the Information Ministry]

[Text] The economic crisis which the country is enduring, as a result of domestic problems worsened by world inflation and the constant fluctuation of hydrocarbon prices, is being evaluated by the government of the armed forces. It is carefully analyzing the options which fit the real potential and needs at a national level.

Bolivia requires foreign financing in order to carry out the economic and social development programs which will allow it to overcome the dependency on the import of staples, to join the community of producing and exporting countries and to improve the standard of living of its inhabitants, according to the technical-scientific developments of the current era.

The armed forces, temporarily acting as government, have assumed the great responsibility of overcoming the current negative and critical economic situation. No effort is being spared to achieve this objective and the ministry cabinet as well as the high military command are engaged in that task, doing their best to keep the solution to the problem from directly or exclusively affecting the great majority.

Due to the aforementioned reasons it is clearly stated that the government of the armed forces and of the Bolivian people by no means will act irresponsibly. Although foreign financial aid is necessary to overcome the crisis, these loans should comply with the international regulations currently in force regarding interest, deadlines, payments or guarantees. Any loans which may benefit intermediaries or other middlemen rather than benefiting the people will be turned down. Therefore, the citizenry should be aware that the government's actions are aimed, first, at directly benefiting the country; second, at improving the living standards of the working class and the great majority; and third, at maintaining a climate of social peace, which is an indispensable factor for economic recovery.

The government of the armed forces, in compliance with the historical responsibility with which it assumed power, will not take into account any offers that are detrimental to the country's economy and those accepted will be negotiated on the bases of international conditions and regulations.

CSO: 3010/664

## BRIEFS

NEW MILITARY OFFICIAL--La Paz, 9 Jan (TELAM)--Col Raul Villarroel has been designated chief of the 51st air force group, replacing Col Osvaldo Arroyo, who will serve as chief of the air force section 2. The 51st air force group is located in the city of Cochabamba, 600 km east of this capital. [PY221208 Buenos Aires TELAM in Spanish 1520 GMT 9 Jan 82 PY]

TRANSPORT UNDER SECRETARY--Transport Minister Col Hector Caballero Cardozo this afternoon administered the oath of office to (Jose Vazquez), new transport under secretary. [PY131903 La Paz Radio Illimani Network in Spanish 0100 GMT 13 Jan 82 PY]

COMPTROLLER GENERAL CONFIRMED--The Bolivian Government has confirmed (Gen Antonio Obando Rojas) in his post as comptroller general of the nation. [PY131903 La Paz Cadena Panamericana in Spanish 1130 GMT 13 Jan 82 PY]

CSO: 3010/664

## 'SMART BOMBS' FOR LIBYA, OTHER ORDNANCE DESCRIBED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 20 Dec 81 p 109

[Article by Roberto Godoy]

[Text] Beginning in 1982, the Libyan Air Force will be using the first "smart bombs" made in Brazil: the AV-BP 250's, which are guided to their target electronically and are intended primarily for destroying airports. That information was obtained from an Arab diplomat in Campinas during the opening of a series of debates on Islamic culture. According to the official in question, the Tripoli government "asked a company that supplies military equipment to develop a quite sophisticated penetration device, and its order was readily accepted, although on a preliminary basis. The only thing remaining now is to settle the details of the contract." The same source said that Iraq is also getting ready to adopt the same weapon, "with the particulars depending only on the strategic pressure brought to bear by developments in the conflict with Iran."

The Brazilian firm that produces the penetration bomb is AVIBRAS Aerospace in Sao Jose dos Campos, but it declined to confirm the diplomat's statements, considering them "surprising." Series production of penetration bombs is nevertheless an item in the organization's expansion program. Researchers in the aeronautical section admitted yesterday that "the first models have already been tested by Mu'ammar Qadhdhafi's air force on board the Soviet MiG-23 'Flogger' supersonic aircraft with variable-geometry wings." That high-performance fighter-bomber is the backbone of Libya's air force, which since 1979 has had 50 units of the all-weather "Flogger" E version. That version is superior in the air and is specially equipped for ground attack missions. Qadhdhafi's MiG-23's have a range of 2,875 kilometers without refueling and a top speed of Mach 2.2 (2,336 kilometers per hour). They carry 2,000 kilograms of bombs or missiles in the four pylons under their wings. Standard armament: one 30mm GSh-23 twin-barrel gun plus four air-to-air missiles of the Apex or Arphy class.

Penetration bombs are basically for tactical use. For example, a single flight may decide to use them to neutralize the enemy's air force on the ground.

It works this way: the planes approach at supersonic speed and at low altitude, then drop to a subsonic pattern and drop their four or five BP-250's in two passes. The 3-meter-long black tube has a larger guidance head (230mm), where the sensitive electronic sensors are located. Bombing altitude is 50 meters, and immediately after



free fall begins, a kind of metal parachute opens from the rear section to slow the rate of fall. When the ideal angle of impact is reached, that aerodynamic brake is detached from the bomb, which then becomes a rocket, firing a retro engine that propels the assembly directly onto the enemy base's concrete landing strip. The impact is strong: about 40 centimeters of the cylinder penetrate the pavement. Only then does the explosion occur with a muffled sound. Each penetration bomb destroys about 220 square meters of area.

But that is not the only new element in our domestic arms industry's activity for 1982. This week a staff report reached the office of Gen Walter Pires, minister of army, describing the armored vehicle needed by the armored forces--and the specifications are said to be very close to those for the X-30, a medium tank designed by the Bernardini Corporation of Sao Paulo to fill the range of 30-ton vehicles of the Argentine TAM [Argentine Medium Tank] class. At the same time, ENGESA (Specialized Engineers, Inc.) is continuing its work to develop its regular line. After incorporating various completely new solutions into the Cascavel EE-9 (to the point that Iraqi authorities presented it as a "new" model), the company has now designed the Urutu EE-11/90Can for an Asian customer. It is a multirole amphibious armored vehicle carrying a 90mm gun and can operate underwater with only the turret showing.

Libya is the Brazilian arms industry's oldest customer. The first contracts, signed in 1974, called for ENGESA to supply a complete allotment of Cascavel EE-9 armored vehicles. The plan also called for training the maintenance crews, and that gave ENGESA the opportunity to innovate by creating an audiovisual system using video-cassettes accompanied by bilingual sound tracks (in English and Arabic) with a total recording time of 120 hours.

Other military supplies have gradually been procured by the Libyan Army. Socks, uniforms for special troops, helmets, and dehydrated rations for use by aircraft crews that might be shot down in remote areas are said to be under negotiation. The special system of financing the penetration bombs by order--a transaction that the firm and the government both refuse to discuss--opens up a new and broader field for doing business with North Africa. In July, a computer service organization was contacted by Tripoli representatives interested in buying data processing systems for use by staff officers in decisionmaking, situation evaluation, and estimate calculation. Price per program: \$500,000.

#### Company Full of Secrets

AVIBRAS Aerospace is a company full of secrets. It is reserved even on the subject of its civilian programs: it was only recently that it announced its ANSAT-10 telecommunications antenna. The company is located in Sao Jose dos Campos, where it occupies two facilities: Manufacturing Unit No 1 near the center of town and Manufacturing Unit No 2 at the Santa Branca Dam, which is a sort of tightly guarded island 20 kilometers from the city. Vigilance is discreet. And there is nothing to indicate that anywhere in the neighborhood a complete "family" of advanced military equipment is being created in a buildup that is beginning now and will end--as far as this phase is concerned--in 1984.

There are small indications, however, such as the laminated cards printed in Arabic and English with the announcement that the dishes served at a recent luncheon contained

no pork or pig fat--an indication of the subtleties involved in intricate business relations with the Islamic nations. There is more: an obvious fever for growth is reflected in the construction of entire buildings in record time to house technicians specializing in advanced electronics. And it is not only the AV-BP 250--the penetration bomb successfully tested by Libya's "Floggers"--that will come out of this complex. In the next few months, the MAT (Antitank Missile) will become operational. It is wire-guided--that is, remote controlled by signals transmitted through a wire (although in fact, the guidance is done through an optical fiber, also a product of Brazilian technology that was created at the Physics Institute of the Campinas State University). It is a weapon of the German Mamba class for army troops, and it has a range of approximately 2,000 meters. The operator can use the MAT from ground level or with the help of a small ramp set on a tripod. ENGESA is designing a configuration of its latest command car, the Jararaca EE-3, with a multiple missile launcher for solid-fuel missiles 90 centimeters long, with a caliber of 120 centimeters [as published] and a weight of 11 kilograms in the operational state. The operator carries a small kit, similar to a metal suitcase, which holds the control box. The MAT performs best at a range of between 500 and 1,000 meters and literally flies like a model airplane, manipulated through a control cable. There is no known armor that can resist the final impact. The 3-kilogram warhead can penetrate steel plate up to 30 centimeters thick.

For use by individuals, AVIBRAS has developed the Seta, a simple and efficient launcher for unguided rockets of the Belgian Armbrust class. The projectile fired is a shortened version of the SBAT-70 (produced regularly since 1978 and carrying 4 kilograms of explosives) and is fired from a trigger mechanism not much bigger than a field machinegun. In combat with tanks--it penetrates plate 300 millimeters thick--its range is 500 meters. It produces no smoke, with the result that the source of attack cannot be detected, nor does it produce flashes or make noise, thanks to the muffler system used in the gas discharge area. Each shot costs \$600, and it can put a tank costing \$1 million out of action.

Also entering the catalog in 1982 are two bombs--fragmentation and incendiary--each weighing half a ton. These are augmented configurations of the 120- and 250-kilogram fragmentation bombs and the 250- and 375-kilogram incendiary bombs already in use by the FAB [Brazilian Air Force]. Some of those in this new weight range will be used for future research into electronic guidance by television from the aircraft's cockpit using small rockets to correct the trajectory. As in the case of the AV-BP 250, only France and the United States produce similar equipment, the effectiveness of which was proven in the Vietnam War. The first steps will also be taken in 1982 toward construction in the medium term of the SID's (Integrated Defense Systems), made up of groups of vehicles carrying the service units whose functions complement each other: units for the detection and identification of targets using radar or sensors; fire control centers; and the multiple artillery rocket and missile launch vehicles. For example, a three-unit SID will comprise the coordination command trailer, which receives information collected by another module posted in the immediate vicinity concerning the objectives to be hit and indicating, for the weapons system, the most suitable option--a barrage of rocket fire, a single missile, or a combination of both. The advantage of this system is the high capacity for movement. With its mission accomplished, the entire group moves to another point in the area of a possible battle or the defense zone with no loss of efficiency, and it moves at the speed of an ordinary truck.

The profitability of this undertaking is closely linked, however, to two other projects: one for incorporating an electronic navigation kit that will make the X-40 surface-to-surface rocket (300mm, with a range of 68 kilometers and carrying a warhead with 146 kilograms of high explosives) the largest being produced in Brazil and the first guided missile of this capacity to be built in Latin America; and one for building an ambitious missile 10 meters long (of the U.S. Pershing-2 class) to cover distances of from 300 to 600 kilometers. That configuration would probably be derived from the Space Probes III and IV built for scientific experimentation at the Aerospace Technical Center.

#### First Brazilian Battle Tank

Brazil's first battle tank, the 30-ton X-30, is being designed by the Bernardini Corporation of Sao Paulo and may finally come off the drawing board in 1982-1983. A few days ago, the Ministry of Army completed a detailed study of the armored vehicle needed for the ground forces, and the firm, which already produces the Carcara X1A-2 (also the product of national technology) in the 19-ton range, the XLF-40 rocket launcher, and the XLP-10 armored bridge, is going to qualify for the supply contract covering the vehicle with its own model, "developed over the past 4 years at the design engineering level," according to Flavio Bernardini, the company's head.

In Latin America, only Argentina has equivalent equipment in the form of the TAM (Argentine Medium Tank), which is produced under license from German suppliers, who sold a complete technological package. When it was negotiating rights with Military Manufactures of Buenos Aires, Thyssen Henschel included in the contract the possibility (now being utilized) of incorporating a whole series of models. The most recent of those is the VCTP (Combat and Troop Transport Vehicle) that was presented in the military parade on 9 July, Argentina's national holiday. It is the final result of a project started in 1973, and it puts the fleet (245 units, of which 120 have already been delivered) in an interesting situation, to say the least. The TAM is the Argentine Army's third attempt at the regular construction of armored vehicles. In the period following the start of World War II, one of the (government) Engineering Arsenals launched a number of prototypes of the Sahuel vehicle, but that idea was abandoned because of the ease of importing good U.S. equipment beginning in 1944. In the 1970's, following a long period of discussion, a French mission convinced the general staff to establish an assembly line for the AMX-13 light tank. The first 50 were imported, and 70 more are slowly being produced in Rio Tercero with a 75mm gun as the basic weapon.

For the 1980's, the military in Buenos Aires have specified a medium tank that is to have firepower similar to the standard type throughout the West, mobility superior to its counterparts elsewhere, and armor in keeping with those requirements. The joint program, covered by an agreement signed with Thyssen-Henschel, entered its execution phase in 1977, and the series configurations have undergone few modifications in comparison with the first prototypes. The vehicle carries a 105mm gun, has a low profile, and also carries two Mag 7.62mm machineguns. The engine is a 720hp Matu diesel (German) with an automatic gearbox. It has a range of from 600 kilometers (in rough terrain) to 1,000 kilometers (on paved roads) without extra fuel tanks. It carries a crew of four. Designed to provide a "sealed hull," it is protected against chemical, biological, and radiation attack. The fire control system is integrated and stabilized, with a ballistic computer, laser rangefinder, and



a night-vision unit that is either active (infrared) or passive (image intensification). Without a respirator, it can advance for 15 minutes totally submerged to a depth of 4 meters. It will begin to be exported as soon as two-thirds of the domestic order has been filled.

#### Brazilian X-30

Bernardini's tank is very advanced. It incorporates all of the sector's most sophisticated technology, such as electronic systems similar to those in the Leopard I, a German supertank that is regarded by NATO's analysts as the best in the world. The fine steels used in its suspension will meet the same critical requirement level as that adopted for the Abrams XM-1, the newest heavy vehicle in the United States. The artillery piece is a rapid-firing 105mm gun using ammunition with velocities greater than 1,500 meters per second. It has a coaxial 7.62mm NATO machinegun and a Browning P-50 in the turret, which revolves for antiaircraft fire. Very flexible, the X-30 will have a modular chassis on which bodies for personnel transport, forward command, or missile launchers can be mounted. The crew of four will have filtered cooled air, automatic fire extinguishers, target-tracking radar, a stabilized fire selector, a rangefinding gunsight, laser, night vision, and a computer. National capability for supplying this tank's components is on the order of 90 percent, according to a survey conducted by Bernardini himself. The result is that the final price per unit should come to around \$1 million. Three factors were considered in drawing up the design document for this vehicle: firepower, range and agility, and armor. Its weight--30,000 kilograms--is necessary to provide supporting weight for the 105mm cannon. Flavio Bernardini explains: "A smaller unit would run the risk of flipping over from the force of the recoil." The diesel engine unit will have two engines totaling 800 horsepower. One of them will be used only to power the hydraulic system, the auxiliary mechanisms, and the gun turret.

Surprisingly, the armor plate is available in its entirety from a Brazilian supplier: ELETROMETAL, Incorporated of Sumare in Sao Paulo's interior. That organization (the first of its kind to qualify as an advertiser in Jane's series of military publications from Great Britain) already supplies Boeing in the United States and is being selected in international bidding to deliver highly resistant plate for use in manufacturing the Hughes 500 antitank helicopter. The preferred steel for use in the X-30 will probably be a fine steel obtained by the electroslag process, in which an ingot of conventionally produced metal is progressively recast by passing it through liquid slag. Fusion occurs due to the heating caused by passing current through the batch of metal to be refined, slag, and refined metal. The result is a product providing optimum performance--free of inclusions and presenting a degree of hardness and impenetrability that is 300 times greater.

The main weapon has a coupled radar capable of tracking up to four targets in different directions and at different distances simultaneously. It then fires on them in the order of priority suggested to the tank commander by computer. With the help of laser rangefinding, the maximum error is 30 centimeters at 3,000 meters. The X-30 will travel at 80 kilometers per hour, climb 60-degree grades, and cross obstacles of as much as 1 meter. It can cover up to 1,000 kilometers in its cruise configuration, but its minimum range is not less than 600 kilometers. Its armor plate varies in thickness between 15 and 50mm, and it has multifrequency digital radio communications.

Bernardini, which used to manufacture steel furniture for offices, joined the arms industry in 1968 after devoting 56 years to activities that were the exact opposite. It began by rehabilitating metal trucks for the movement of infantry personnel. In 1973, the Ministry of Army decided to modernize its Stuart M-3 light tanks, which the United States had transferred to Brazil in the 1940's. That process led to the appearance of a hybrid model, the X1A-1, which used only the frame from the old imported equipment. Flavio Bernardini says: "We then made a bid for something bigger: the design of a new vehicle." The first Carcara X1A-2 was delivered in 1979, using the ENGESA 90mm gun and opening up a range of possibilities that included the X-40 rocket launcher, purchased soon after by the army. This plan of reworking old equipment continued with the excellent but outdated American 23-ton Walker-Bulldog M-41's, which gained at least 15 more years of life after being transformed into Version B. That kit--\$100,000 each--may be exported, according to engineer Flavio: there are 4,000 M-41's in good condition in Spain, Belgium, Argentina, Austria, Bolivia, Chile, Ecuador, Ethiopia, Lebanon, Pakistan, New Zealand, the Philippines, Portugal, Tunisia, Syria, and Thailand.

### Surprise

Sticking to its intention to "advance a few steps beyond each stage," Bernardini is going to equip the X-30 with "vanguard" resources "for future use." Chief among them is the weapon prepared for using kinetic-energy darts (FEC's), a type of ammunition that is still experimental even in NATO's research centers. Built with rods of depleted uranium, they can pierce any kind of armor, and the thermal energy released by the shock raises the temperature--inside another tank, for example--to 3,000 degrees Celsius.

### Urutu Passes All Tests

The Urutu EE-11/Can 90 was subjected to everything: precision firing in the hydraulic joints, traveling on rough roads with one of its six wheels missing, a new engine installed in 90 minutes, underwater firing at targets on land, and replacement of the gun turret. And it passed all the tests. "It is a warrior," was the Asian customer's opinion following the long sessions of testing. Because of that, ENGESA, the leader of Brazil's military-industrial complex, has now decided to add that configuration to its sample book of basic models, as has already happened with Iraq's Cascavel EE-9.

The Urutu with a 90mm gun was presented in May as an answer "to the demand expressed on the international market," according to Jose Luiz Whitaker Ribeiro, chairman of ENGESA. At the time, the London Institute of Strategic Studies listed eight countries "in Latin America, Africa, and the Middle East" as users of the multirole amphibious APC. It can carry 14 men with equipment in addition to the crew (commander, gunner, and driver) and is protected by a NATO 7.62mm machinegun. The series includes the following models: ambulance, workshop, missile launcher, 60mm-mortar carrier, and twin-barrel 20mm gun. The high point in its design is its armor, which consists of bimetallic plates of special composition, with the outside walls much stronger than those inside. The front walls have a thickness of 16mm, which is sufficient for protection against 1.27mm shells fired head-on or at an angle. The side and rear faces are more than 8mm thick--enough to absorb the impact of 7.62mm shells. An automatically operated system defeats the fire from incendiary bombs. To provide



ventilation, the four snorkels in the original version have been replaced by a single collector connected to the standard gun turret.

And where does the Urutu-90's superiority lie? "In its features and tactical possibilities," answers one of the manufacturer's engineers, who feels that "this is a typical characterization of an attack system, since it makes it possible, for example, to place a 90mm artillery piece, two heavy machineguns, and four commandos--elite personnel--in position on a beach for a landing operation. It delivers an assault mission and comes out of the water firing, all in an integrated manner, with the help of the laser sighting units and image intensification for night-time operations." The average price--initially, since it increases depending on the options available to the buyer--starts at \$250,000. This places the Urutu among the most affordable wheeled armored vehicles in the Western World.

#### Specifications--Technological Advances

Price:	From \$250,000 up.
Dimensions:	Length: 6 meters; width: 2.5 meters; ground clearance: 0.37 meter; height: 2.8 meters.
Weight:	Empty: 11 tons; loaded: 13.5 tons.
Engine:	Detroit 6-cylinder 6v35n turbocharged diesel developing 300 hp at 2,800 rpm.
Front suspension:	Independent with shock absorbers, telescoping double-action springs.
Rear suspension:	Overlapping semielliptic springs and telescoping double-action shock absorbers.
Maximum speed:	110 kilometers per hour.
Maximum speed in water:	(Standard version): 9 kilometers per hour. (Maritime version): 11 kilometers per hour.
Maximum vertical obstacle:	0.6 meter.
Maximum gradient:	65 percent.
Side slope:	30 degrees.
Maximum trench:	1 meter.
Range:	700 kilometers.
Acceleration:	0 to 30 kilometers per hour in 18 seconds and 0 to 60 kilometers per hour in 48 seconds.
Stopping distance at 50 kilometers/hour:	28.5 meters.
Ammunition:	High explosives. Oca charge, antitank plastic, incendiary (white phosphorus), and training, all for the 90mm cannon.

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CSO: 3001/55

## REVIEW OF WAR MATERIEL PRODUCED, EXPORTED

Rio de Janeiro MANCHETE in Portuguese 26 Dec 81 pp 84-90

[Article by Alexandre Garcia]

[Text] The latest American and British publications concerning the world arms market rank Brazil either fifth or sixth in international arms sales. According to estimates by those publications, Brazil's exports in 1981 have totaled between \$1.5 billion and \$3 billion. Actually, the figures are not that high. For a country in urgent need of foreign exchange, it would be nice if they were, but so far they are not. Not until 1982 will Brazilian arms exports exceed an annual figure of \$1 billion thanks to orders received in 1981. For 1981, our exports of war materiel will total about \$700 million. But that figure is being doubled from year to year, and it is possible that Brazil will reach \$1.5 billion in 1982.

The LOS ANGELES TIMES asks: "How does a country become one of the world's biggest arms-producing giants?" And it answers this way: "With quality products, excellent marketing, and an effective sales policy." The result is that in at least 50 of the world's countries, the soldiers are shooting, operating as crews, or flying with high-quality Brazilian military equipment.

Although the world market for arms totals \$150 billion annually--most of it cornered by the Soviets and Americans--and Brazil will not account for even a hundredth part of that total before 1982, the ready market for Brazilian products is frightening traditional suppliers. As a consequence, publications have appeared saying that "the tropical giant shelters many of the world's most deadly creations" and that our country is the place "where some of mankind's most efficient death machines are growing." The figures are exaggerated along those lines, too, as though the intention was to prevent the growth of this Brazilian export item, which is becoming increasingly important in the context of the country's economy. In other words, everyone is selling and making money, but Brazil is not supposed to.

Gen Jose Magalhaes da Silveira, future head of the Army Ordnance Department, responds: "Brazil is in great need of foreign exchange for its development. We must export everything we can. Why not arms? We take great responsibility for the quality of the product."

The American magazine NEWSWEEK has published a justification expressed by a professor at the University of Illinois more or less as follows: "It is not a question of

producing guns instead of butter--as in the days of World War II--but of producing guns in order to have butter."

Gen Alacyr Frederico Werner, chief of the Armed Forces General Staff, considers that a considerable share of the revenues of the United States, the Soviet Union, France, Great Britain, and Italy comes from arms exports. And he believes that Brazil may be included in that group very soon thanks to the appropriate use of its natural and technological resources. That market contributes to national development.

Ozires Silva, chairman and superintendent of EMBRAER [Brazilian Aeronautics Company], advocates technological independence as well in order to have more independence in sales abroad. One of the requirements of the IMS [Mechanical Systems Industry], which is going to produce the Oerlikon antiaircraft gun in Curitiba, was that it be allowed to export anywhere.

Minister of Foreign Affairs Saraiva Guerreiro says: "Brazil is not engaged in an arms race. The share of its GNP going to defense is one of the lowest in the world and one of the lowest in Latin America. In recent years, it has not amounted to 1 percent. The arms industry arose as a result of the country's industrialization itself. And it would make no sense for a developing country, which must export not only to pay for its imports but also to service its foreign debt, to be the one country in the world to forego the sale of armaments. Brazil has never sold arms in such a way as to intensify any conflict. And besides, the figures that have been mentioned are exaggerated."

#### Armored Vehicles Winning Victories

ENGESA [Specialized Engineers, Inc.], which manufactures the Jararaca, Urutu, and Cascavel armored vehicles, doubled its exports of military vehicles in 1979. It doubled them again in 1980, and in 1981 it is tripling them. It is currently producing 50 armored vehicles per month to fill the orders on its books, which total \$200 million--exceeding its total exports for 1981. Orders worth an estimated \$600 million are in the process of negotiation. In 1981, ENGESA is billing 18 billion cruzeiros--90 percent of it for exports.

ENGESA is in a position to increase its production considerably and on a scale making it the Western World's largest producer of those vehicles. The Cascavel and Urutu are undoubtedly a great international sales success thanks to their performance, which has already been tested on battlefields in the worst terrain of Africa and the Middle East. It is in those regions that the firm has its biggest purchasers, followed by customers in South America and, now, the Far East, for a total of 30 countries.

The international sales operation is handled entirely by the group's trading company (ENGEXCO), which has been tackling an extremely complex market in which the competitors not only have a long tradition in the field but also enjoy great economic power and greater facilities for financing their sales. Potential customers are usually taken to the testing grounds in Sao Jose dos Campos and Marambaia, where they get acquainted with the excellence of Brazilian armored vehicles. After the first contact, the orders are repeated, indicating the good results obtained with the products.

ENGESA has 100 engineers working full time to come up with new technologies and products at ENGEPEQ, a subsidiary of the group. It was because of their advanced technology that ENGESA's armored vehicles rapidly conquered the world market. Final studies are currently underway for the production of 105mm and 155mm guns as well as a 20mm antiaircraft model to be mounted on the firm's armored vehicles. In Salvador, ENGEX (another member of the group) produces the 90mm gun equipping the Cascavel and the transmission and suspension system that gives ENGESA vehicles their exceptional mobility in any terrain. ENGEX has quadrupled its production in 2 years. The technological innovations incorporated into the Cascavel IV include, for example, the possibility of operating at night and the improvement of firing and sighting systems, including lasers. The Cascavel's superiority over its foreign rivals lies in its armor, the drive system, the ENGEX 90mm gun, and the impeccable technical assistance available after the sale.

Iraq, which is one of the largest purchasers of Brazilian armored vehicles, recently sent voluminous orders, including some for ENGESA trucks with special drive and suspension. The vice minister of China recently visited ENGESA's plant in Sao Jose dos Campos. The Chinese seem to be interested in replacing the Soviet armored vehicles because of the guarantee of technical assistance. This represents 2,000 armored vehicles.

According to the LOS ANGELES TIMES, Libya used the Cascavel in 1977 and overwhelmed Soviet-made armored vehicles on the Egyptian frontier. The success of the Brazilian vehicle became known around the world, and the flow of orders intensified.

The newspaper says that Libya also used the Cascavel and the amphibious Urutu in its invasion of Chad and that those two armored vehicles have won many victories for Iraq in its war with Iran.

Another firm in the group--ENGEVIDEO--provides for the training of operating and maintenance crews for ENGESA armored vehicles through the use of videotape or film with a sound track in five languages. This means that the crews can easily operate vehicles equipped with the most modern guns, rockets, machineguns, radar, and other devices.

Cascavel: It is now in Version IV. It has six bullet-proof tires, weighs 12 tons, and has automatic transmission. It can travel at 100 kilometers per hour and has a range of 1,000 kilometers. Its armor resists the 0.50 machinegun (in the front) and rifle fire. It is equipped with a 90mm gun, a coaxial 7.62mm machinegun, and six smoke grenade launchers. It has eight periscopes and one telescope (all made by D.F. Vasconcelos), six-wheel drive, ENGESA suspension, and a Mercedes engine. It can be supplied with an armored turret with a machinegun, night-vision system, laser rangefinder, and radio system.

Urutu: Now in Version III. It is amphibious and fires even from underwater. It can be used as a troop transport, reconnaissance car, or light tank and for other applications. There is even an ambulance version. Its other characteristics are similar to those of the Cascavel. Its armament can be a 90mm gun, a NATO coaxial 7.62mm machinegun, a 60mm mortar, an Oerlikon 20mm gun (which is beginning to be produced in Parana by the IMS), an 0.50 machinegun, a rocket launcher, and so on.



Jararaca: A 4-ton reconnaissance vehicle with four bullet-proof tires (four-wheel drive). Armor includes thermal and acoustic insulation, like the others. Equipped with a 7.62mm or 0.50 machinegun, it can also be fitted with other weapons.

Military trucks: EE-50: 5 tons, with three-axle drive; EE-25: 2.5 tons, with three-axle drive; EE-15: 1.5 tons, with two-axle drive. Versions: transport, workshop, ambulance, tanker, fire truck, command post, and so on.

#### Aircraft on Five Continents

EMBRAER (Brazilian Aeronautics Company) has produced 10 Xavante (EMB-326) fighter planes for the Paraguayan Air Force and 6 for Togo's air force. It is currently producing 25 turboprop Xingu (EMB-121) aircraft for the French Air Force and 16 for the French Navy. That sale of 41 Xingus to France for military use represented recognition of the product's quality, since it won out over powerful competitors. The 70th Xingu is already on the production line.

The patrol version of the Bandeirante (the EMB-111) is currently arousing the interest of several air forces. It is a plane with an elongated black nose for holding the search radar and has a range of 100 nautical miles. It has a flight endurance of up to 11 hours. Chile and Gabon have already acquired this model, which can carry air-to-surface rockets on its wings. In Brazil, it has replaced the P-15 Neptunes. In addition to its civilian uses, the Bandeirante EMB-110 is used as a military transport with a paradrop door and as a search and rescue aircraft. Chile has eight of these aircraft, and the president of Gabon uses a Bandeirante as his personal transport.

The Tuscano (EMB-312) is a two-seat, one-engine turboprop that was completely designed by EMBRAER. It will go to the military academies for use as a trainer. It was a success at the Le Bourget (France) and Farnborough (Great Britain) air shows, and there are already three on order for the Military Pilot School in Oxford. In Brazil, it is being produced for the Air Force Academy in Piracununga. It is getting publicity abroad: "EMB-312: The military training aircraft that is winning the war" [in Spanish] and "EMB-312: Training for war and peace" [in English]. It is the first military training aircraft entirely designed for a turbine. Its competitors use piston engines. It provides a savings of 40 percent compared to jets, but can fly in formation and perform acrobatics with the Xavante jet. It has an ejection seat and a 750hp Pratt and Whitney turbine and can carry armament. There are countries interested in producing it under license from EMBRAER.

As the result of a partnership between EMBRAER and the Italian firms of Aeromacchi and Aeritalia, the subsonic fighter now known as the AM-X will be flying beginning in 1983. This jet will equip the Italian Air Force and the Brazilian Air Force, guaranteeing an initial production run of at least 330 aircraft. A marketing firm established by the three partners will promote the sale of the plane all over the world. It is a fighter plane similar to the American Skyhawk. It has a built-in revolving cannon-machinegun of 20mm or 30mm and a couple of self-protection missiles at the wingtips. With four bomb racks on the wings and one on the fuselage, it can carry a great variety of air-to-surface weapons. Its frame can suffer considerable damage in combat and still continue in flight. It has two main computers and can carry a laser scanner for tactical reconnaissance. The first deliveries will begin in 1986.



Next to a life-sized model in one of EMBRAER's hangars, there is a board showing the countdown. It shows that the EMB-120 Brasilia will fly on 29 July 1983. This is not an enlarged Bandeirante, but an entirely new aircraft with room for 30 seats. It is pressurized and has two 1,500hp turboprops. In addition to its civilian uses, it can be used as a military transport. The Brasilia was a success at the Annual Convention of U.S. Regional Airlines, where the life-sized model was exhibited on the fifth floor of the Adams Hotel in Phoenix last year. There are already 110 orders.

On the civilian market, the Bandeirante is the greatest international sales success in its category. When we visited EMBRAER in Sao Jose dos Campos, the 400th Bandeirante was already being born. The United States will end 1981 with 74 Bandeirantes being used by its regional airlines--many more than the Brazilian firms have. There are 32 firm orders and 104 being negotiated. Today the Bandeirante is in use on airlines on all the continents.

Because of all that, EMBRAER's exports for 1981 will total \$100 million. Throughout the world, there are 27 local firms selling EMBRAER's planes. There is a weight-per-dollar comparison that gives an idea of the value of exporting a military plane: an automobile on the international market is worth \$4,000 a ton, iron ore is worth \$8, and a military plane is worth \$400,000 a ton. Not a day passes without the arrival of at least one foreign delegation at the EMBRAER hangars. One company official told us: "First, they are surprised at our technological level. Then they begin to buy more and more."

When the war between Iran and Iraq was at its peak, an Iraqi Boeing 707 appeared one morning at the Sao Jose dos Campos airport. It took off again loaded with Brazilian rockets. Amid all the denials and proofs, the episode did show the flexibility of Brazil's arms delivery service. The rockets were manufactured by AVIBRAS, a firm that started out with the Brazilian space program and is now producing a wide range of products from rockets to incendiary bombs, antitank weapons, and space probes.

One of AVIBRAS' selling points is the versatility of its rockets. The air-to-surface SBAT can be used equally well by a Soviet MiG, an American F-5 Tiger, or a French Mirage. At least 10 countries are using the Brazilian rocket. Iraq used it successfully against Iran. There are buyers in Africa, Central America, and the Middle East. The SBAT is not affected by moisture or high temperatures. AVIBRAS also produces napalm bombs, 500-pound bombs, special bombs for cratering airfields, antipersonnel and antitank rockets, and other conventional bombs.

#### World-Famous Rifles

Since it began its industrial activities in 1977, IMBEL [Ordnance Industry] has produced 150,000 FAL 7.62mm rifles. After equipping the Brazilian Army, it devoted itself to exporting the famous rifle and has not lost in any of the international competitions it has taken part in. Today the company is in full-time production at its Itajuba plant to supply the foreign market. In addition, IMBEL is exporting a varied range of artillery ammunition that it produces in its plants in Juiz de Fora and Andaraí. IMBEL's chemical products, which are produced in Estrela and Piquete, are exported in the form of propellant for AVIBRAS rockets and explosives for CBC [Brazilian Cartridge Company] ammunition.

With the growth of its foreign market, IMBEL decided to establish its own trading company, known as CODECE, which it formed in association with Mayrink Veiga and Paembra, two private firms specializing in the arms trade. The existence of an active Marketing Directorate and a Directorate of Technological Development indicates the firm's concerns in those areas.

In addition to the FAL rifle, which is used by almost every army in the Western World, IMBEL produces a 9mm pistol, military sabers and knives, and civilian weapons.

#### Many Explosives for Peaceful Purposes Only

At present, the apple of IMBEL's eye is a simple and tough 9mm submachinegun that is currently in the testing stage and showing excellent results. In the area of munitions, it manufactures artillery grenades of from 37mm to 155mm, hand grenades, antitank and antipersonnel grenades for the mouth of the FAL rifle, a 2.36 rocket for bazookas, signal cartridges, torches, parachute flares, and the 108mm revolving artillery rocket. Its line of explosives, including those for civilian use, is extensive. PETROBRAS [Brazilian Petroleum Corporation] uses special IMBEL explosives in its search for petroleum. At Itaipu, 50 tons of IMBEL explosives were used to divert the Parana River. IMBEL's presence has a stabilizing effect on the Brazilian market for civilian explosives, where most of the manufacturers are foreign. But IMBEL is the only producer of military explosives in Brazil.

It is a state-owned firm connected with the Ministry of Army. In addition to its manufacturing activities, it promotes the establishment and growth of the national arms industry by private enterprise. For instance, it encouraged the establishment of many private suppliers and even transferred technology to them. It has also joined with private firms to stimulate their development. In addition to joining with private firms to establish CODECE, its trading company, IMBEL has gone into partnership with the CBC (which 2 years ago belonged to Imperial Chemical and Remington but which is now 100-percent Brazilian owned), with D.F. Vasconcelos (optical equipment and precision engineering), and with XTAL (radio crystals). Faced with technological progress in the arms industry, IMBEL established a subsidiary called PROLOGO to specialize in electronic equipment and microprocessing. The firm has an Electronics and Telecommunications Research and Development Center in Rio de Janeiro.

#### Cartridges: 115 Million

In the past 2 years, 115 million cartridges from the Brazilian Cartridge Company (CBC) have been sold abroad. Their quality has won a place for them in markets that were once supplied by traditional suppliers. The chief purchasers of Brazilian ammunition are, in alphabetical order, Australia, Argentina, Bolivia, Chile, Colombia, the United States, Guatemala, Liberia, Lebanon, Peru, and Paraguay.

In addition to ammunition, the CBC exports shotguns and rifles for civilian use at an average rate of over 100,000 weapons per year. The value of exports for 1981 is estimated at \$8 million, although the installed capacity would allow four times that. Libero Cerroti, the firm's chairman, laments: "We got a very late start. In 1942, we exported 2 million cartridges for the Mauser rifle to Nicaragua. In 1960, when Remington from the United States transferred its factory, we supplied that firm with

14 million cases without altering the quality standards it required. But we did not increase our sales abroad until 1973." Today the CBC has agents in about 30 countries who are in contact with the governments. "We compete in price and quality. The Iron Curtain countries are the only ones with which we do not compete in value, because their prices are political." ("Cartridge" is what the layman calls a "bullet," and the "case" is what the layman calls a "shell" or "cartridge.")

The ammunition enjoying the highest sales is 7.62 caliber for the FAL rifle, although the most profitable is the 0.50 for machineguns. Production of the 5.56 cartridge is currently increasing. This is a new caliber with greater impact that has been adopted by NATO. The CBC produces 20mm and 30mm cartridges for the cannon-machinegun used on F-5 Tiger and Mirage jets. Also produced are other cartridges for military use: 6.35, 7.65, 0.30, 9mm, and .45. On the five continents, 21 countries are using CBC ammunition in the following versions: ordinary projectiles; tracer bullets; armor piercing, incendiary, and incendiary-armor piercing projectiles; rifle grenades; and blanks. Today the CBC is a 100-percent Brazilian company. Two years ago, its capital was divided between Imperial Chemical and Remington. Today, its minority partners are IMBEL and IBRASA. The CBC pays no royalties to anyone. It is one of the biggest light ammunition producers in the world. Its technology is capable of developing the most varied types of cartridge to satisfy new requests, as is the case today with ammunition for the Oerlikon and Bofors guns.

Its factories are in Utinga (Santo Andre) and Ribeirao Pires near Sao Paulo. Half of its industrial operation is concerned with quality control, which really gets down to details. The ammunition tests involve measurements down to billionths of a second and micrograms. Weapons from all over the world are used to test Brazilian ammunition on the company's test benches. The explosives research and development sector covers an area of 188 hectares and is policed by guards on horseback.

Libero Cerroti says: "Brazil is one of the most trustworthy countries in the sale of war munitions, both ethically and in terms of deliveries and sales, which are made only to governments directly." Traveling through Asia, Australia, and the Middle East not long ago, he noted how actively the embassies of traditional producing countries promote the sale of munitions. "We have also had support from the Brazilian Ministry of Foreign Affairs. Everybody sells, so why shouldn't we? Besides, those who buy from us come back to buy more and more, and that is the best praise possible for our products."

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CSO: 3001/55

## BRIEFS

LEGISLATIVE COMMISSION BOARD ESTABLISHED--The legislative branch has confirmed 16 of the 17 members of the first Legislative Commission in their post. Ivan Kipreos Hernandez has now been appointed advisor of the Legislative Commission. Vice Adm Hugo Castro Jimenez, Maritime Union leaders Martin Bustos Gallardo and Arturo Mayorga Santana have been excluded from the list of advisors. [PY150329 Santiago EL MERCURIO in Spanish 25 Dec 81 p C3]

NEW TWELFTH REGION INTENDANT--Brig Gen Juan Guillermo Toro Davila, former intendant of the 1st region, has assumed the post of intendant of the 12th region and commander in chief of the southern military region, replacing Lt Gen Sergio Covarrubias Sanhueza. [PY150329 Santiago LA TERCERA DE LA HORA in Spanish 29 Dec 81 p 5]

NAVY PROMOTIONS--The Chilean Navy has promoted Rear Adm Guillermo Aldoney Hansen, director of the Navy's General Services Department, to vice admiral. The following captains have been promoted to vice admirals: Luis Lara, who will occupy the post of director of the Navy's Engineering Department; Rigoberto Cruz Johnson, who has been appointed deputy chief of staff of the Navy; and Jorge Contreras, who yesterday assumed the position of director of the Navy's Armament Department. [PY150329 Santiago LA TERCERA DE LA HORA in Spanish 29 Dec 81 p 3]

ARMY, NAVY PROMOTIONS--Military sources have disclosed that Col Carlos Meirelles, Chilean military attache to Ecuador, and Col Washington Garcia, member of the IV Legislative Commission, have been promoted to general. Today Lt Col Hernan Ramirez assumed the position of new military aide-de-camp of President Augusto Pinochet, replacing Lt Col Ramon Castro, who in turn will assume the duties of secretary general of the army. [PY150329 Santiago LA TERCERA DE LA HORA in Spanish 28 Nov 81 p 23]

CSO: 3010/704

## BRIEFS

ELECTION SABOTAGE CHARGES DENIED--The United People Coalition which groups the Costa Rican progressive forces has reiterated its support for the struggles of the Costa Rican mass organizations. Furthermore, it denied the accusations about its alleged participation in acts to sabotage the elections. Rodrigo Gutierrez, presidential candidate of the organization, said that United People fully supports the struggles the workers want to carry out as well as the path that they choose in defense of their legitimate rights. He also said the United People Coalition wants the forthcoming elections to be held in Costa Rica so that the people will see the inadequacy of the old electoral structures. [Text] [PA221821 Havana International Service in Spanish 1600 GMT 22 Jan 82]

OFFICIAL BACKS NICARAGUA'S REGIME--A Agencia Nueva Nicaragua, ANN, dispatch from Mexico City, reports that Costa Rican second Vice President Jose Miguel Alfaro said here that the free development of the Nicaraguan regime will allow the establishment of a pluralistic and democratic government. On arrival in Mexico, Alfaro made a statement related to the Central American problems and, referring to Nicaragua, said that the extreme left and right are blocking the process of democratization headed by the governing junta of national reconstruction. He noted that the world powers should permit the free play of the current Nicaraguan process. During his stay in Mexico City, Alfaro will meet with the secretary of commerce and other Mexican foreign trade officials. [Text] [PA230036 Managua Radio Sandino in Spanish 1800 GMT 22 Jan 82]

CSO: 3010/691



## CENTRAL COMMITTEE SPONSORS SEMINAR ON NAMIBIA

FL220042 Havana Domestic Service in Spanish 1721 GMT 21 Jan 82

[Text] A seminar on Namibia, organized by the party Central Committee's center for African and Middle Eastern studies, has begun at the Ministry of Foreign Trade's auditorium in Havana. The activity was presided over by Jesus Montane Oropesa, alternate member of the Politburo and chief of the Central Committee's general department of foreign relations. The opening speech was given by Rafael Polanco, deputy chief of that general department. Polanco stressed the seminar's importance and urged that an extensive discussion be held of the various proposals to be considered during the important meeting. The Namibia seminar, titled "Eradication of Colonialism in Africa," will run for 3 days in various sections of the Ministry of Foreign Trade. Helhuth Angula, South West African People's Organization (SWAPO) representative to our country, pointed out that the seminar, being the first of its kind, provided a unique opportunity in the history of the Afro-Cuban peoples.

He said that SWAPO remains committed to continue the intensification of the armed liberation struggle in Namibia until final victory is achieved which can be ours only when our objectives of genuine liberty and independence have been achieved. Angula said that today any imperialist maneuver, action or plot is a crime that deserves punishment. He denounced the campaign of distortions waged by the United States against national liberation movements. Finally, the SWAPO representative praised the struggle of the Cuban, Nicaraguan, Grenadian, Libyan and Ethiopian peoples.

CSO: 3010/687

## BRIEFS

ICAP CONDEMNS U.S. AID--The Cuban Institute of Friendship with Peoples (ICAP) has issued a statement here where it strongly condemns the inhuman repressive wave unleashed once again by the regime of Jean-Claude Duvalier in Haiti. The document points out that repression in Haiti endangers the life of the outstanding Haitian communist leader, Rock Derosé, who is being held in the barracks of Dessalines camp where he has undergone questioning and torture. Derosé, the statement adds, has been connected with the Haitian people's struggle, is part of the opposition and is a symbol of the persistent fighter against the poverty, injustice and terror imposed by the Duvalier dynasty. The ICAP statement denounces U.S. aid to the Haitian regime and urges the world progressive organizations and peoples to condemn the bloody crime. [Text] [FL202248 Havana Domestic Service in Spanish 2107 GMT 20 Jan 82]

SALVADORAN STRUGGLE ANNIVERSARY--The struggle of the Salvadoran people was commemorated last night by the Cuban Movement for Peace and Sovereignty of Peoples [MPSP]. The ceremony, which was presided over by Severo Aguirre del Cristo, member of Cuba's Communist Party Central Committee, marked the 50th anniversary of the 1932 people's uprising in El Salvador. Jesus Reyes, member of the MPSP Secretariat, read the organization's declaration on the occasion of the anniversary in which the support for the struggle of the Salvadoran people is expressed. Silvia Martinez, representative of the Farabundo Martí National Liberation Front (FMLN) in Cuba, made an emotional speech in which she noted the significance of that uprising and stressed that today under the name of Farabundo Martí all Salvadoran revolutionary organizations are united. [Text] [FL231902 Havana Domestic Television Service in Spanish 1800 GMT 23 Jan 82]

VEIGA TO HEAD DELEGATION--Roberto Veiga Menendez, alternate member of the Cuban Communist Party Politburo and secretary general of the Central Organization of Cuban Trade Unions [CTC], will head the Cuban delegation to the 10th WFTU Congress which will be held in Havana from 10 to 15 February. The following are also members of the delegation: Agapito Figueroa, second secretary of the CTC; Jesus Escandel, executive secretary; Andres Carballosa, CTC secretary in Granma; Juan Atriel, secretary of the Communications Workers Union; Casimira Torres, second secretary of the Light Industry Workers Union; Angel Alonso of the CTC in the Isle of Youth; and Manuel Ortega and Braulio Maza, members of the CTC National Committee. The Cuban delegation to the WFTU Congress also includes: Arnaldo Olivera of the Rene Ramos Latour Nickel Enterprise Workers Union Bureau, and Hilda Torres, cane cutter from Sagua la Grande in the province of Villa Clara. [Text] [FL251340 Havana Domestic Service in Spanish 1232 GMT 25 Jan 82]

CSO: 3010/687

## FIRST ANNIVERSARY OF WAR WITH PERU MARKED

PA230220 Quito Voz de Los Andes in Spanish 1535 GMT 22 Jan 82

[Address by Defense Minister Vice Admiral Raul Sorrosa Encalada during ceremony commemorating first anniversary of armed conflict between Ecuador and Peru on El Condor Range, held at the Eloy Alfaro Military Academy--live]

[Excerpts] We live to defend the fatherland even if it means our personal sacrifice, but we are also the first to proclaim peace and the constant search of solutions through peaceful means. The seriousness of the problems we face today, the need to leave a message for our descendants and our responsibility toward future generations, compel us to proceed with dignity. It would be beautiful to live in a world of peace and justice when solving problems. The fact is that the world of today, however, is quite different. Perhaps many of our problems have become worse because we trusted too much in justice and in the validity of our territorial rights while we did very little to make of them a reality. We have long lived trusting in the inviolability of our Amazonic rights, but those lands we discovered and populated were violated by the irresponsibility of some governments, and only a few settlers remained there together with unknown tribes and our heroic military garrisons, to which we never paid sufficient attention.

The democratic government represented by the president of the republic has assumed the responsibility of finding the solution demanded by Ecuador. This is a courageous and patriotic attitude and such a position involves risks, particularly when certain politicians in the search for votes are willing to engage in irresponsible criticism without contributing, in exchange, positive alternatives. These politicians are ready to attack the sincere efforts of some but never help in the search for a solution of such a difficult problem. Perhaps they expect that in the next 100 or 200 years, a definitive solution will be miraculously found to our territorial problem.

The president of the republic has received the cooperation of all. He has appealed to the patriotism and ability of all Ecuadoreans to contribute with his grain of sand to an honorable and possible solution. There is no better procedure in that direction within a democracy.

Civilians and militarymen are willing to offer our cooperation to this effort. Only the men of goodwill share the concern of the fatherland. Those who are aware of their historic responsibility do not want to leave unsolved problems for future generations. Only in this way can we begin in the search for a solution to our territorial problem. If we achieve this purpose, the peoples of Ecuador and Peru will be able to live and progress in peace, by dedicating to their economic and social progress and development efforts a good share of the resources that today are spent in the war effort.

CSO: 3010/711

INTERVIEW WITH FOREIGN MINISTER VALENCIA

PA222205 Quito Voz de Los Andes in Spanish 1230 GMT 22 Jan 82

[Interview with Foreign Minister Luis Valencia Rodriguez--no date or place given, recorded]

[Excerpt] [Question] Now let's discuss the presidential tour. What steps have been taken for President Oswaldo Hurtado's trip to Colombia, Venezuela and Brazil?

[Answer] The usual and customary steps for such occasions--above all, an in-depth evaluation of all aspects of national interest which pertain to Ecuador's relations with the countries the president will visit. We must determine the actions that would be most appropriate for the country during an exceptional opportunity such as this one.

[Question] What preliminary contacts have been made?

[Answer] The usual contacts between the officials who handle and study the aspects which I have mentioned. They are underway at this moment.

[Question] Who will accompany the president?

[Answer] The president's entourage will be made up by cabinet ministers and ranking officers directly responsible for the topics to be discussed by the president with the governments and authorities of the countries he will be visiting.

Likewise, a distinguished group from the production and commerce sectors directly interested in promoting commercial relations with those countries will accompany the president.

The main goals of this trip, therefore, are to improve the bilateral, regional and multilateral means of understanding and cooperation in matters of mutual interest so as to reaffirm the ties of friendship that unite us with those peoples; to increase the existing cooperation, to defend our Amazonian rights, and to contribute to the solidarity and integration of the region.

[Question] What economic proposal, investment programs and trade products will be presented to those countries?

[Answer] I would say that the main proposals will be related to certain large objectives--first of all, the strengthening of the bilateral relations with each of those countries, especially the increase of trade, including border trade as in the case of Colombia.

In addition, we are contemplating the study of certain topics related to the industrial programs already agreed upon and others pertaining to the ANDEAN group. That is, we are contemplating the intensification of that program.

Regarding preparations for the president's tour, there seem to be possibilities for increasing or streamlining the subregional cooperation within the Latin American Economic System, SELA, the Latin American Integration Association, ALADI, and especially the Amazonian Cooperation Agreement.

All of the above dealings with third countries as well as the realization of joint programs, foretell the possibility of conducting joint actions to reduce the unfavorable impact on our economies due to the behavior of the industrialized countries, which also causes serious problems of the world economy in general.

CSO: 3010/711



## BRIEFS

PRESIDENT TO DISCUSS DISPUTE WITH PERU--Ecuador's territorial dispute with Peru will be given priority over the other matters that President Oswaldo Hurtado will broach during his visit to Colombia, Venezuela and Brazil beginning on 1 February. An announcement to this effect was made on Friday by Foreign Minister Luis Valencia, who said that since it is the most important international problem faced by the country, both he, as minister of foreign relations, and the chief of state, will give priority to this topic during this state visit. Foreign Minister Valencia, who made this statement to newsmen (Vicente Viera), a reporter from "The Voz Andes Newscast," said that the governments of those countries will be briefed on the present status of and the most recent developments on that problem, particularly on Ecuador's wish to resolve the problem peacefully, with honor and with justice. We will try, the foreign minister said, to have the governments of Colombia and Venezuela, which are closely linked to Ecuador by their tradition of Bolivarian ideals and the present process of subregional integration, maintain their willingness to extend to the parties in conflict whatever noble and high-level assistance may be necessary or advantageous to strengthen peace and good understanding between those parties, as they did during the serious events of January and February 1981. [Text] [PA242016 Quito Voz de Los Andes in Spanish 1230 GMT 24 Jan 82]

HURTADO STATEMENT ATTACKED--Rene Mauge, secretary general of the Communist Party of Ecuador, said that the president's remarks regarding territorial matters are unilateral and unwise. Mauge said that although the administrations have held different attitudes on international policy, the Ecuadorean people have always maintained that the Rio de Janeiro protocol is null and void. He said that the president discussed matters superficially and catered to the views of the ruling classes. [Text] [PA212030 Quito Cadena Ecuador Radio in Spanish 2300 GMT 20 Jan 82]

CSO: 3010/711

## BRIEFS

WORKERS FORCED TO SUSPEND WORK--San Vicente--Approximately 95 percent of the trucks that deliver daily sugarcane loads at the Injiboa [not further identified] yesterday suspended their delivery as a result of threats that extremist groups have made to the owners and drivers of the trucks and to the sugarcane cutters, whom they ordered to stop working for a period of 3 days. According to official sources, the extremists threatened to cut the hands and burn the trucks of those who disobey this order. In view of this, the workers stopped working at 0700 yesterday. Meanwhile, the authorities in San Vicente have set up road blocks in the northern and southern areas of the city. According to the same source, only three trucks made sugarcane deliveries yesterday. The problem is that the sugar mill cannot be used without sugarcane. [Text] [PA242157 San Salvador LA PRENSA GRAFICA in Spanish 23 Jan 82 pp 4, 11]

CSO: 3010/676

## NEW GROUP ESTABLISHED TO DEMOCRATIZE PNH

PA221815 San Pedro Sula TIEMPO in Spanish 18 Jan 82 p 5

[Excerpts] San Pedro Sula--"The emergence of the Nationalist Recovery Front [Frente Reivindicador Nacionalista--Frana] is the result of a political need that has clearly shown that under obsolete procedures and imposed leaders, the National Party of Honduras [PNH] can never be victorious at any historic moment," Mario Adelmo Tinoco Aguilar, secretary general of the new movement, told TIEMPO yesterday.

"The participation of young people and those capable and honest men who have been alienated due to political envy is imperative. Therefore, our movement will be sufficiently broad to accept all those nationalists or factions that truly seek the party's democratization and consequently its victory," he added.

He stressed that "the democratization struggle has begun and the immediate objective will be that of using the rights established in the party's statutes to participate in the next internal elections to be held in November. Through a civilized and democratic contest we hope to win the positions that others have been holding since they have been handpicked."

From some members of the new nationalist movement, which was formally established Thursday night in San Pedro Sula with the election of its board of directors, headed by retired Col Miguel Angel Garcia Gutierrez, it has been learned that the idea for its creation emerged in Tegucigalpa at the initiative of important nationalist figures who were unhappy with the results obtained by their party in the 20 April 1980 constituent assembly elections.

It has been learned that among the promoters of this group are Jorge Fidel Duron, Pedro Pineda Madrid, Horacio Moya Posas, Victor Caceres Lara, Cesar A. Batres, Salomon Jimenez Castro, Alejandro Lopez Cantarero, Jaime Pineda, Maria Luisa de Sempe, Dora Henriquez and other prominent figures who held their initial meetings in the residence of former Honduran President Ramon Ernesto Cruz.

CSO: 3010/691

COHEP DEFINES ITS POSITION TO NEXT GOVERNMENT

San Pedro Sula TIEMPO 23 Dec 81 pp 10, 11, 25

[Article: "Businessmen Establish Their Position Toward the Next Constitutional Government"]

[Text] Yesterday, a delegation from the Honduran Private Enterprise Council (COHEP), headed by its chairman, engineer Fernando Lardizabal Gilbert, met in La Paz with the President-elect, Roberto Suazo Cordova.

The delegation, in which Gustavo Alfaro and engineer Edgardo Sevilla Idiaquez also participated, held a dialog with Dr Suazo Cordova, and submitted to him a COHEP document containing an analysis of the country's economic situation and a list of petitions stemming from that line of argument prepared by the board of directors of private enterprise and its advisers.

We are publishing herewith the complete text of this analysis:

Document submitted to Dr Roberto Suazo Cordova, President-elect of the Republic.

Tegucigalpa, D.C., December 1981.

Introduction

The Honduran Private Enterprise Council (COHEP) is a civil association of indefinite duration and non-profit in nature, which represents the general interests of the private sector in Honduras, and the fundamental purpose of which is the defense and promotion of the free enterprise system, in order to insure the democratic coexistence, social welfare and economic development of Honduras.

In keeping with our responsibility, COHEP has prepared this brief presentation which reflects the position of the business sector at the beginning of a new phase in the nation's institutional existence, at one of the most crucial, most difficult and most complex times for the Honduran economy and society, owing to factors of an internal and an international nature as well.

In its initial part, this document makes a short review of the basic circumstances that have determined the development of private enterprise during the last decade, so that it might help to explain the current situation, our concerns, our needs and our expectations.

Next, there is an indication of what, in our opinion, the role of private enterprise should be at this historic juncture; and, in conclusion, some suggestions are made for the purpose of determining the proper framework that will enable us as a sector to cooperate effectively with the government that is being initiated.

#### Features of the 1970-1980 Economy

The course of the Honduran economy during the decade 1970-1980 was determined chiefly by exogenous factors, resulting in but slight transformation; in other words, the fact that Honduras is still a country which depends basically on agriculture and agroindustry, both with regard to its exports and in the formation of the gross domestic product, the growth of which during the aforementioned period averaged only about 4 percent.

Various Factors Have Caused This Situation, Among Which We Shall Cite the Following:

##### 1. Conflict Between El Salvador and Honduras

In 1970, the Central American Common Market split as a result of the military conflict between El Salvador and Honduras in July 1969. Since then, the Honduran trade balance with Central America has been seriously upset, because the neighboring countries took advantage of the occasion to replace the products which had previously come from El Salvador, while our productive system could not find the facilities for replacing the Salvadoran market. This situation limited the utilization of Honduran installed capacity, and also interfered with the growth of employment. 1970 was a year of negotiations aimed at establishing a modus operandi, an effort which failed at the end of that year, prompting the issuance of Decree 97 of 30 December 1970, which put Honduras on the sidelines of free exchange with Central America.

##### 2. Bilateral Trade Negotiations

In 1971, the bilateral trade negotiations began, but it was not until 1972 that the first bilateral agreement was signed with Nicaragua, and in 1973, with Guatemala, Costa Rica and Panama. However, these did not produce their entire effect on Central American exchange until 1974.

##### 3. Natural Disasters

In 1974, Hurricane Fifi occurred, striking hard at the national economy by affecting the leading agricultural production areas, especially that of exports, and also damaging many industries. The backing of the international community and from friendly governments was required to emerge from that situation. The recovery process took about 3 and a half years.

In addition to this natural phenomenon that beset the economy so harshly, in 1979 there were drought problems which upset agricultural production, and this unquestionably affected the price levels.

Moreover, the Managua earthquake in 1973 and the one in Guatemala in 1975 interfered with our trade with those countries.



#### 4. Rise in the Prices of Energy and Some Imported Raw Materials

In 1974, we felt the impact caused by the rise in prices of byproducts of petroleum and other raw materials which we imported for industry, such as synthetic resins and iron. These hikes had a significant effect on the costs of cement, transportation, construction and industrial production in general.

#### 5. Agrarian Reform Law

In that same year of 1974, with the issuance of the new Agrarian Reform Law, there was an increase in the instability that existed in the rural areas, and discouragement was caused in agricultural production activity, to the point where, in 1980, we were converted from exporters to importers of staple grains, despite the fact that the government had stated, according to the purposes of the law, that its aim was to incorporate the excluded sectors of the rural areas into national production, and thereby make the utilization of the land more efficient. The reason for this phenomenon was that agrarian reform was considered an end in itself, and it was not established as a tool for development as part of an agricultural policy directed toward the promotion of production and productivity.

#### 6. Price Regulation

At the end of 1973, Decree No 91 was issued, for the purpose of regulating the prices of staple products. This decree was intended to regulate abnormal supply and the subsequent increase in price of the products; but it was later maintained as a permanent type regulation the administration of which, with the passage of time, became a negative element for fostering production.

#### 7. Fiscal Deficit and Restriction of Funds for Production

Starting in 1972, the development plan established by the populist regime of the first military phase caused public spending and investment to grow in an extremely accelerated fashion, bringing a substantial change in the structure of the distribution of funds from the economy, with an increment in those of the public sector to the detriment of those in the private sector. This situation was exacerbated until it led us, in 1980, to the start of a crisis of a fiscal and monetary nature, sacrificing or restricting the funds that the banking system could administer to industry or trade, so as to be able to direct them toward the spending and investment of the public sector.

The most unfortunate aspect has been that, cognizant of this situation, an attempt has been made to continue the increase in government spending, to the point of irresponsibility, overestimating revenue and omitting from the general budget expenses that have already been committed, despite the fact that this was pointed out at the time by COHEP.

#### 8. Commercial Debt and Deficit

Understandably, when confronted with a fiscal growth and a limit on the generation of internal funds to meet the national demand for financing, they resorted to a dangerous increase in the total public debt, which rose from 431.3 million lempiras in 1972 to 2.2 billion lempiras in 1980, with an annual rate of increase of 23 percent for the foreign debt, and 20 percent for the internal one.

Moreover, the prices of the leading export products depend on the international market, and vary in a cyclical manner with alarming drops, as in the case of meat, sugar, bananas, coffee, lumber and cotton. Nevertheless, the vulnerability of our sources of hard currency, the slight utilization of our installed production capacity, the irregularity in the trade with Central America, the instability and uneasiness in the rural and urban areas and the major projects undertaken by the government, as if the economy were operating normally, warrant our stating that there has not been any rationality either in spending or in investment, there is no order of priorities and, we even think that, in the projects on which we have embarked, there has been a disregard for the country's economic capacity for coping with the obligations which they entail.

It would appear that we in Honduras have been operating apart from world events and beyond our economic capacity.

#### 9. Social Unrest in Central America

During the decade 1970-1980, the unrest and focal points of violence in Central America began to heighten and multiply. Many meetings were held by presidents and heads of state from the countries of the Isthmus, without success in directing Central American policy toward a better destiny. There were countless declarations and communiques from both heads of state, and ministers of foreign affairs and of economy; but those documents seldom succeeded in having an effect to benefit the production, work, economy and peace of Central America. Millions of lempiras were spent on travel expenses, fares, documents and research, and all this will serve to enhance the history of Central America, but without concrete results for the economies of each of the countries.

At the end of the last decade, there began changes of government in Central America through violent means; and this comprises a picture that is totally different from the one which existed previously.

#### 10. Economic and Financial Problems

Since 1974, the world economy has experienced one of the most difficult periods in its history. The developing countries have had problems in selling their exports on the international market, and difficulties in procuring funds over the medium and long term, and even for the short term. The trade balance problem is compounded by the deficit in the financial balance, which has been exacerbated by the high interest rates.

#### 11. Petroleum and Its Byproducts

They have worsened the trade balance, and the developing countries which are not oil producers have become more dependent on those which do produce it; because the growth attained by the economy is absorbed by the constant increment in the prices of petroleum byproducts.

#### 12. Flight of Capital

The social situation that has been created in Central America during the past decade has created an atmosphere which discourages investment and which is also affecting

Honduras. This, added to symptoms of social instability internally, a confused economic policy, insufficient credit and other administrative mistakes of the government have contributed to a decline in private investment and to causing a flight of capital. Despite the significance that is attributed to this fact, the government economists have not agreed on the size of the sum; but, in any event, as has been commented on constant occasions, most of the blame lies with those who have illegally amassed huge fortunes which they have to conceal by taking them out of the country.

### 13. Current Situation

In 1981, the international situation shows a slight improvement, if we consider the slight reduction in the inflation rate in the American, European and Japanese economies; but the prices of the products which we export have dropped, and the volumes which we can export have been reduced in some instances, as in the case of sugar.

All of Central America is facing a social, economic and political crisis which differs from one country to another, but which affects all of them alike.

In 1981, Honduras finds itself with a battered economy, which is reflected in four aspects of a general nature: in the first place, a deficit in the balance of payments; second, the largest fiscal deficit recorded in the history of Honduras; third, there has been a tremendous shrinking of the general supply of domestic bank credit; and fourth, an enormous drop in the domestic consumer's purchasing capacity, and serious problems in selling our own industrial products in the countries with which we have bilateral trade agreements.

This situation must necessarily be reflected in a worsening of the living conditions among the Honduran population, with the reduction in sources of employment and the decline in the production level in many industries, and agroindustries, and in various livestock companies.

One need only glance at the development of the Honduran economy to realize that the current situation of the country is extremely difficult. The whole world is in a state of upheaval and crisis, facing an uncertain future. However, much of what is happening to us is the result of the erroneous and worst implemented policy of recent governments; hence, any attempt at change must acknowledge this fact. Honduras is also about to initiate a right wing government, with the consequent expectations and demands of the people who elected it, and with very slight resources at its disposal. The foregoing leads us to the conclusion that if we are going to fight for our survival and for the consolidation of our democratic institutions, private enterprise, the workers, the farmers, the political parties and the government must reach agreement, establish priorities and set up concrete work programs with clearcut and defined goals, which will really assure us of resuming the path toward attaining the best and most rational utilization of supplies and the most intelligent use of the internal tools for development and international cooperation. But all of this will have to be done with a single commitment: to improve the living conditions of Hondurans, with a circumspect, honest, intelligent administration, both in public and private enterprise, with each individual totally aware of the responsibility incumbent on him under these circumstances.

### 14. The Participation of Private Enterprise in the Great Task

The Honduran Private Enterprise Council, aware of the situation that the country is experiencing, and of its potential, as well as of the role incumbent on it beyond

the primary goal of benefit to attain its social projection, has come forth to offer its contribution, not only toward achieving an atmosphere of peace and social equilibrium, but also toward strengthening the harmony between capital and labor, by supporting the harmonious functioning of the various sectors that comprise our society. The people and the government can fully meet the responsibility that is incumbent on each in the construction of a better future for the nation.

## 15. Suggestions

We state below some suggestions for action which we consider essential for being able to establish a suitable operational framework for the country's economic activity. These suggestions may be expanded and developed at future meetings, which we would be willing to attend, in order to express and listen to the various concerns and viewpoints, so as to lay the groundwork for joint action to overcome the underdevelopment and social injustice. These suggestions are the following:

### 15.1 Fiscal Policy

Since one of the fundamental problems affecting the country's economic situation is the fiscal deficit which became marked in 1980 and which in 1981 became so much worse that it is hampering the complete execution of the government's plans for 1982, the Honduran Private Enterprise Council is of the opinion that the fiscal policy must be subjected to a real evaluation, and redirected in accordance with the capacity of the current income, the capital income, and the real debt capacity of the public sector.

In our opinion, it is essential to revise the administrative plan for the state's revenue, in order to make it more efficient.

We think that the current conditions in the country do not advise an increase in tax pressure, but perhaps consideration could be given to a revision and rearrangement of the various taxes, so that there would be no fostering of leaks or imbalances in the costs of collecting taxes, or evasion, but certainly that there would be no exceptions outside of the law.

Some decrees, such as the one on customs valuation and the one which established the advanced payment of income taxes should be repealed, because both have had negative effects from a practical standpoint for the government, and the first one also has distorted the use of hard currency, the application of taxes and the normal development of trade; while the second of these decrees has enabled the state to spend in advance the income that it is due to receive after the taxpayer has obtained his income, something that is considered unfeasible.

As for the administration of the spending, as part of the fiscal policy, we think that the government should establish compulsory austerity measures to be unavoidably complied with by all the state departments and institutions, without any exceptions. In this connection, there should also be an elimination of all the spending that does not really have high priority; a revision must be made in the procedures for the purchase of goods and services which the state must make through the General Purchasing Office of the Republic, or through public bidding. One method that would



help to rationalize and reduce the pressure on the budget would be to set a permanent date with the organized groups, such as the National Association of Public Employees, and those of teachers, doctors and nurses, to keep them informed on the fiscal situation and to enable them, once they are aware of it, to adjust their demands to the state's real capacity.

Closely related to the two preceding points is the use of the public debt; it should be consistent with the state's revenue and, at a time of crisis such as the present, the external or internal debt of the central government and of the decentralized institutions should be limited to the essential spending based on the real debt capacity. For this purpose, we must abide by the country's commitments to the International Monetary Fund backing our monetary situation, and the monetary and credit policy of the Central Bank of Honduras; and the prudent limits on a foreign debt must be treated in accordance with conservative projections of the fiscal revenue and the growth of the economy.

We have taken the liberty of making these suggestions because the fiscal policy has a definite effect on the monetary and credit policy, and on the availability of financial resources that the private sector can use on behalf of a growing and timely production.

## 15.2 Monetary and Credit Policy

The monetary and credit policy of a country is another pillar on which the economic policy of nations is founded. The purpose of this policy is not merely to foster monetary, credit and exchange conditions that are the most favorable for the development of the national economy, but also to preserve the country's financial image in the international community. In addition, we think that, without precluding such purely monetary considerations as stability and free convertibility, account should be taken of the non-monetary aspects which affect this policy and which are a decisive part of Honduran economic and social development.

The current social and economic conditions in our country are quite different from those of the 1950's, when the Central Bank of Honduras was created. The values of the different variables or parameters which serve as a basis for establishing monetary and credit policy have been changing, not only because of factors of an internal nature, but also because of those of an international nature. It is for this reason that the monetary model must be based on the new circumstances.

Moreover, the monetary and credit policy must be carried out in harmony with the fiscal policy, because otherwise the situation that we are experiencing could last indefinitely until all the possibilities for recovering the national economy have been exhausted.

The establishment of rediscount lines is necessary, because by so doing there is a guiding and fostering, through the credit, of the most appropriate production, not only for domestic consumption, but also for export.

We believe that the banks' cash reserves should be less stringent, and that interest rates should keep a better relationship with the money market. In our opinion, the interest rates for basic products and for the leading export products should be preferential.



By 1982, we think that the Honduran monetary and credit policy should promote a channeling of funds with greater emphasis on the private sector, and that by promoting production through credit, inflation would be counteracted.

### 15.3 The Country's Financial Image

The financial image of a country is as important as the one which should be shown by a solvent business firm with prospects for the future. This aspect should receive special attention from the government and the Central Bank because, if a negative image of the country is projected abroad, it will impede the channeling of external funds to supplement the small internal supply of national funds for financing economic and social development.

In this regard, the Central Bank must carefully consider its decisions, to prevent others such as that associated with Honduran Financing, S.A., which caused the country so much harm, from being made. It must oversee the financial activities of the state's institutions, so that there will not be a repetition of problems such as those currently shown by the National Investment Corporation, which have caused even further deterioration in the external image of Honduras. And, finally, there is a need for the central government to oversee the activity of its public officials, so that corruption will not worsen a situation which is already, of itself, quite deteriorated.

Honduras had a reputation as a country which kept its commitments, both in the public and the private sector; an image of sincerity and responsibility in its economic and financial relations abroad. That image must be retrieved.

### 15.4 The Problem of Inflation

Inflation has many nuances and different causes, of both internal and external origin, but this is not the time to describe them. It is more important to cite the action necessary for curbing it.

The main one is an increase in production. To achieve this, in turn, it is essential to update the tax incentives system, and to give guarantees to all economic activities, especially agroindustry, and agriculture and livestock raising in general.

Use must be made of the existing instruments which can help to reduce inflation. These include the monetary and credit policy, and the Honduran Agricultural Marketing Institute (IHMA), as an agency supplying staple grains.

As for the external factors influencing inflation, there is little that we can do besides attempting to increase exports, in order to make maximum use of the country's installed capacity.

Insofar as Decree No 91 and the bureaucratic apparatus for its implementation operating in the Ministry of Economy are concerned, it is obvious that they are not serving the purpose which was anticipated or, if they did serve it at one time, it would be better now to repeal that decree and to close the Office of Domestic Trade, so as to save that superfluous expenditure.

### 15.5 Incentives to Promote National Production

In addition to the monetary and credit policy which, as has been pointed out, could serve as an incentive to production, both industrial and agricultural, together with the technical assistance rendered by the government's specialized agencies, there must be incentives of a fiscal nature to benefit and direct national production in accordance with criteria such as the following: the promotion of the production of basic consumer goods, intermediate goods (raw materials) and capital goods, which would not only replace imports, but, if possible, achieve a surplus for export, while at the same time attempting a diversification of exports and an increment thereof.

In any event, this promotion of production must be aimed at the attainment of two fundamental goals: the creation of secure, permanent jobs, and the use of national resources, goods and services, so that the added value will be the greatest possible.

In short, we must seek a greater utilization of national resources, a greater creation of job sources, a greater replacement of imports, and a greater increment in exports and their diversification, as well as revising the tax incentives system so that it will be consistent with our state of relatively lesser development in the Central American area, as part of a policy of economic reactivation.

### 15.6 Agrarian Reform

During the decade 1970-1980, agricultural production declined enormously, owing to the farmers' invasions and the flaws in the agrarian reform law and its implementation, destabilizing the agricultural areas, discouraging investment and debilitating national production.

We are aware of the problems of the Honduran farmers and of the need for an agrarian reform policy, but we think that such a policy should actually foster the incorporation of individuals and land into national production, and also with the technical and credit assistance that the country's economic capacity allows.

In our opinion, if agrarian reform is to be effective, it must not only be regulated, but at the same time it must guarantee protection from intervention for all the land which is performing a social function; in other words, which is supplying an adequate production, whether it be used for livestock raising or agriculture, in any of their forms. Moreover, an agrarian reform program must not exclude the small producer, because support for the latter must be an important part of that reform.

### 15.7 National Education

We think that our country's degree of development and requirements have for many years demanded a revision of the educational plans and programs, so as to create opportunities for basic and occupational education befitting the needs of our market. A country with limited resources must gear the education in such a way that there are actual opportunities for every Honduran who wants to improve his living conditions to have a chance to properly learn a trade or an occupation that will enable him to better himself not only morally, intellectually and occupationally, but economically as well. He must be prepared to make a suitable contribution to the building of the economy of the future.

Hence, from the instruction in the elementary school to that on the intermediate level, in arts and crafts, and in the university itself, programs must be provided which meet the needs of the national agriculture, industry and commerce, and of the research programs. In addition, a fundamental concern must be not only the quantity, but also the quality of the professionals that we wish to train.

The state must strictly supervise the education given on the intermediate levels, so as to insure total fulfillment of the programs for professional training prior to the granting of certificates or degrees attesting to the capability in the various areas of expertise.

Another aspect which alarms us and which requires immediate action is the fact that the educational system is being used as a means of undermining our cultural values and our nationality, with the inclusion of ideologies contrary to democracy.

#### 15.8 Public Health

Significant gains have been made in Honduras with regard to public health and social security. However, we believe that it is time to find out whether, in fact, under the present circumstances, the existing institutions or departments are totally and efficiently carrying out their activities; because there is every indication that duplication of effort, lack of coordination and an obvious waste exist.

Before making any additional investment or beginning any other program, an evaluation should be made of the present ones; because the defects in those programs have at least three immediate negative effects: they inflate the running expenses of the public sector; they upset the business establishments which make use of the services; and they harm the direct beneficiaries. If these programs are not subjected to constant evaluations or revisions, they could become a bottomless barrel for funds that are used whether in the form of fixed assets or running expenses.

#### 15.9 Autonomous Institutions

The state of Honduras has approximately 30 autonomous and semiautonomous institutions which absorb a budget of about 1 billion lempiras per year. Many of these institutions have dissociated themselves from the fulfillment of the goals for which they were created, and have even incurred large budgetary deficits, affecting the debts of the public sector, since the central government has had to assume the obligations incumbent on them, without any evaluation made of the benefit from the funds used.

The constitutional principles which stipulate the possibility of creating decentralized entities intend that, with a certain degree of autonomy, they will attain particular goals as part of the state's general policy, in an efficient manner, unrelated to the troublesome administrative and bureaucratic red tape that is typical of the central government.

COHEP is of the opinion that these institutions need to be subjected to an immediate evaluation, in order to redirect their policies, their investment plans and their budgets, in order to gear them to goals which are more realistic and consistent with the legal system that has given them their existence, and in particular to overcome the administrative inefficiency that has been noted. It is possible that in some

instances there may be a need not only to redirect the policy of those institutions, but also to make deepseated reforms in their laws and, in extreme cases, even to abrogate them.

Those institutions should not compete with, much less hamper the operation of private enterprise; but, on the contrary, it is their obligation to supplement the effort that this sector is expending on behalf of the development of our country.

We are especially concerned about the Honduran Banana Corporation, the National Investment Corporation, the Honduran Forest Development Corporation, the National Agricultural Development Bank, the National Port Enterprise, the Honduran Social Security Institute and the National Water Works and Sewerage Service.

There is no doubt that the redirection of the policy of the decentralized institutions and a more stringent requirement for the fulfillment of their obligations are possible only if they are provided with more skilled personnel, both on the executive and the basic levels. This is an indispensable necessity.

We are also concerned over the fact that some of these entities of an autonomous nature which offer basic services to our population are not bound to any regulation on the constant increase in the prices of those services.

We believe that the consumer, whether it be individual, private or commercial, deserves more consideration than is being currently received.

Another point worth mentioning with regard to the autonomous institutions is that the central government should look into the participation of the ministers in the various boards of directors, so that they may fully meet the responsibility that has been entrusted to them, but also so that they may, concurrently, devote sufficient time to their main functions, not only to make the policies that they issue both realistic and consistent with the government's general policy, but also to insure the complete fulfillment thereof by the respective administrations.

#### 15.10 The Employment Problem

We believe that, with the difficult situation besetting the national economy as a result of the depressed state of business activity, the increase in employment is staked in the private sector. The social circumstances existing in Central America, and even in Honduras, have been creating uneasiness in the business sector, and uncertainty regarding the feasibility of making commitments to investments or expanding business firms or hiring new personnel. We hope that when the constitutional government takes office there will be a positive reaction in the private sector, which will be based on the success of the government's first actions and on the policy guidelines that it adopts at the outset.

The problem is rather critical in the public sector, especially since the elections of April 1980; because as a result of the political agreement, various government departments and institutions set themselves up as pockets of employment to gain sympathy and to foster political opportunism. There is every indication that most of the state departments and autonomous institutions have an over-employment which



will be very difficult to maintain, especially if an attempt is made to cut public spending and to introduce elements of efficiency in the operation of these departments and institutions. Major adjustments in personnel will have to be made, and these decisions will certainly entail some social unrest. Therefore, we think that this problem should be analyzed jointly by government representatives, labor leaders and management leaders; because a job program will have to be devised to prevent a worsening of the crisis in the working sector which could have a detrimental effect on both public and private activity.

#### 16. Summarized Petition

Our petition may be specified as follows:

1. As a first step, the government of the republic should recognize that the economic model that has been implemented, based on a disproportionate state intervention in the activities associated with private enterprise, has been the leading factor in the general crisis that the country is undergoing. Consequently, there should be a clearcut demarcation of the areas associated with the public sector, and the private sector should have restored to it the freedom to engage in the activities which come within its area of responsibility.
2. That the government put into practice a coordinated and harmonious policy among the various state departments and institutions, so as to insure an atmosphere of calmness and security in both the rural and urban areas.
3. That a policy be established with definite, realistic objectives and goals in the agricultural, industrial and services sectors, so as to enable business owners to set their own goals and to devise plans for investment, employment and production.
4. That a genuine austerity plan be imposed on the central and decentralized public sector, rationalizing running expenses and selecting from among the investment projects those which are most urgently needed, at all times in accordance with the real available resources of the government and its institutions.
5. That a complete evaluation be made of all the autonomous institutions, so as to correct their shortcomings, revise their programs, assess the fulfillment of their goals and make whatever institutional, operational or administrative changes are necessary or, if need be, eliminate those whose existence cannot be justified. All this should be done for the purpose of making these institutions efficient and fulfilling their respective laws and objectives to completion.
6. That a policy be designed in the labor area that will address the economic and social situation and meet the necessary conditions for seeking the greatest possible harmony between capital and labor, for the benefit of the entire nation.
7. That a clearcut policy be established regarding the housing problem, especially for the areas with the greatest concentration of population; without thereby neglecting the housing conditions in the rural areas. This policy should also be consistent with our situation.
8. That an agrarian reform policy be adopted which attempts to solve the problem of providing land to the farmer without detriment to the property that is performing



its social function, and which does not exclude the small owner from the benefits and the incentives for production.

9. That a revision be made of the tax structure so that, without changing the present tax burden, it will become more efficient and consistent with the basic or fundamental principles of tax policy.

10. That a revision and updating be made of tax incentives relating to industry, agriculture and services, based on a general policy for the reactivation of the national economy.

11. That an evaluation be made of the external technical assistance programs both for the private sector and the government, so that such programs may meet their objectives and not constitute a burden for the state, causing more bureaucracy and, consequently, more expense for the government.

12. That a financial (monetary and credit) policy be adopted which is aimed at a more equitable distribution of the internal and external funds, which backs business activity and which seeks solutions to all the problems that have done so much harm to our country's image abroad.

13. That a policy be established regarding our commercial relations with Central America and the rest of the world, with the decisive participation of both the public and private sectors.

14. That the programs for construction of highways, penetration roads and public buildings be geared to the present economic circumstances, so that the social and production aspects are provided for on an equal basis.

15. That a revision be made of all the administrative procedures to streamline the processing in public offices; because the current bureaucratic delays are proving detrimental to private activity.

16. That the Higher Economic Planning Council be formed as soon as possible, as the law requires, with the participation incumbent on the private sector, to find solutions to the various national problems. This would be the suitable facility for constant dialog to help redirect our country along the paths of work, harmony, security, efficiency, and administrative integrity and circumspection.

17. That the government deal in a timely manner with the problems posed to it, without waiting for crises to occur, as has traditionally been the case. Improvisation only brings greater problems.

18. That the government establish a mechanism for constant communication with private enterprise and with the labor and farmer leadership, so as to discuss the problems of general policy with the president of the republic, and the concrete problems with the specialized ministries and institutions.

19. That the enforcement of the law be carried out in a fair and timely manner, without arbitrary action, so that the citizenry may be really protected.

20. To establish all the legal and practical mechanisms required for honest administration of the state's resources.

21. To revise the health and education programs, so that they may meet both the needs and the capacity of the nation. Those in the educational area should also be aimed at a strengthening of the democratic system and of the traditional values which have served as a guide to our nationhood.

Tegucigalpa, D.C., December 1981.

Honduran Private Enterprise Council (COHEP).

2909

CSO: 3010/670

## CREATION OF CENTRAL AMERICAN ALLIANCE CAUSES REACTIONS

## Cordova Rivas Comment

PA222123 Managua Radio Sandino Network in Spanish 1200 GMT 22 Jan 82

[Text] The tripartite treaty emerged suddenly and unexpectedly and we don't know if it favors democracy or the establishment of a new system of exploitation in Central America, Rafael Cordova Rivas, member of the National Reconstruction Government Junta, said. He was commenting on the recently established alliance of the governments of El Salvador, Costa Rica and Honduras. He made his statement during a meeting with the Christian Medical Brigade of Ophthalmologists at the Madre Del Divino Pastor School.

Cordova Rivas also said he will not attend the Conservative Party rally scheduled for 31 January in Masatepe. He indicated that he continues to be a proud member of that party.

Here is Cordova Rivas' statement:

[Begin recording in progress] ... will decide what will be its position when it believes it is opportune and necessary regarding that tripartite treaty which emerges suddenly and unexpectedly. We don't know if the tripartite treaty is in favor of democracy or the establishment of new systems of exploitation in Central America. There is a social, political and economic revolution in Central America to replace old structures with new structures. This is not only evident in Nicaragua or El Salvador but also in the five other countries of Central America as well as in Latin America.

[Question] Is that why Nicaragua was not invited?

[Answer] Unquestionably, if a country is excluded it is because of its ideology and its way of thinking. In the case of Nicaragua, this is obvious and logical. If it were an alliance for the progress of the social classes to help the most needy and weak, I think we would have been invited.

[Question] Does Nicaragua feel threatened by this tripartite alliance?

[Answer] Well, we cannot say that we feel threatened by this tripartite alliance because we do not know its hidden objectives. It could be that it is only to

strengthen the planned (?electoral farce) in El Salvador. In truth it is a quite secret society that was formed in Costa Rica.

[Question] [Words indistinct] announced plans of aggression against Nicaragua at the end of the month. Is the Junta aware of this? What is it going to do?

[Answer] Well, the government Junta and the revolutionary government are used to those threats. We will wait here with pleasure to give them a reply just as the Nicaraguan people will give them when they are invaded. [end recording]

#### Foreign Policy Director Statement

PA240003 Managua Radio Sandino in Spanish 1800 GMT 23 Jan 82

[Statement by Jorge Canda, foreign policy director general at the Nicaraguan Foreign Ministry, date and place not given--recorded]

[Text] In the first place, this community was structured behind the Central American peoples' backs. In the second place, no other regional government was consulted. In other words, this was a truly unilateral procedure. It is very important to note the mechanism that led to the creation of this so-called democratic community.

I say it is very important to note it because a few hours before the creation of this community was announced, the three foreign ministers met with James Buckley, who is the U.S. under secretary of state for security assistance, science and technology, if I'm not mistaken.

We might add that this structure, this quasi-confederation--after all, they are calling it Central American Democratic Community--did not take into consideration and did not consult any other regional government, as is usual in these cases.

All these things, therefore, lead us to believe that this community might have the overtones of a conspiracy, rather than the objectives mentioned in the document.

As our government has repeatedly indicated at various forums, Nicaragua is in favor of true unity among the Central American peoples based on effective and true democracy representing and reflecting the Central American peoples' legitimate interests. We can't let foreign interests determine the future of our peoples and our countries.

CSO: 3010/692

## MINISTER ON ENERGY PROBLEMS, POTENTIAL

PA221602 Managua Radio Sandino in Spanish 0200 GMT 29 Jan 82

["Direct Line" program with Nicaraguan Energy Institute Minister-Director Emilio Rappaccioli Baltodano, Deputy Minister (Eberto Incer Moraga), Director General of Finance (Leon Paulino Telis) and Director of General Distribution Bruno Urcuyo Zeledon--live]

[Excerpts] [Moderator] Why are there so many blackouts in our country?

[Answer] As a rule, the most common causes of these blackouts in our national interconnected system are the following: powerlines downed by the wind and bad weather. These blackouts are also due to equipment failures mainly in our powerplants. Sometimes these failures can be attributed to human error and, as I said before, equipment failure.

Sometimes the failures are not in the powerplants or transmission lines, but occur in the distribution lines. About 50 percent of the blackouts are caused at the distribution lines which are the longest in the country since these are the ones that enter towns, villages and communities. Many of these lines are very old. We know that many of them are in poor condition and are easily broken by wind and rain. However, in the 2 years of the revolution, the Nicaraguan Energy Institute has changed networks in some sectors and built new ones in others. This effort has resulted in a decrease of blackouts throughout the country.

These are the main causes of power failures. We could even say that since we have an interconnection with Honduras, sometimes many of the failures in our system occur in Honduras. Also, failures on our side have caused blackouts in Honduras.

[Question] What is the real importance of geothermal energy for Nicaragua and when are we going to see the benefits of this natural resource?

[Answer] As a matter of fact geothermal energy is very important to our country, especially for our economic future, to improve our economy and to reduce our dependency on hydrocarbons. I will be more precise and tell you of our advances in these 2 and 1/2 years in research, studies and building of geothermal plants.



Our geothermal powerplant, which we call Momotombo No 1, has been under construction for 1 year. We have already invested over \$15 million in this plant. The total cost of the project is \$34 million. We still have to make additional investments this year. By the end of 1982 we will be making test runs and this plant will probably be connected to our national power system during the first two months of 1983.

Considering the prices of fuel, the benefits for the country, during the first quarter of 1983, will be a savings of foreign currency of some \$55,000 to \$60,000 daily.

In addition to building the first geothermal plant in our country right there in Momotombo, we are making an overall evaluation of the geothermal field. It had been said that this study was done during Somoza's time, but this is not true. We have been studying this since March and this year we will find out how feasible it is to build a second geothermal plant there in Momotombo. We hope that this second plant will have the same capacity as the one now under construction.

We have also studied and researched along the (Los Marrales) range and have found two points of great interest regarding the possibility of exploiting geothermal energy for the production of electric power. These places are [word indistinct] Montegalan, near Momotombo and San Jacinto near the [word indistinct] volcano.

We will have the prefeasibility studies by February or March of this year. Once we have these studies we are sure to obtain financing. We are already negotiating its financing, since we have received preliminary reports on the possibilities which these two places have.

Also, with Italian Government aid and in cooperation with the Italian [word indistinct] firm, we are making preliminary studies in the Masaya-Granada-Nandaime triangle. This study is well advanced and by August we should have the prefeasibility study for the more promising area or the area of the greatest potential which has so far been located between the Mombacho volcano, Granada and Santiago volcano.

We will probably build a third geothermal plant in [word indistinct] Montegalan which I already mentioned. We plan to build a fourth plant in San Jacinto. If we do not have financing problems we will build a fifth plant in the area I mentioned last near the Mombacho volcano near Granada and the Santiago volcano.

Between now and 1985 or 1986 and in addition to the plant currently under construction, we would like to build at least three more geothermal powerplants with a capacity of 30 to 35 mw. This plan depends on getting the necessary financing.

CSO: 3010/692

## CDN DENIES HAND IN DRAFTING OF LAW ON PARTIES

PA230320 Managua Radio Corporacion in Spanish 2300 GMT 22 Jan 82

[Text] Wilfredo Montalvan, member of the Nicaraguan Democratic Coordinating Board [CDN] and president of the Social Democratic Party, has told this newscast that the CDN has not taken part in the drafting of the bill on political parties.

Montalvan said that the CDN has abstained from participating in the activities of the special State Council Committee which is reviewing the report on the bill. Here is what Montalvan said:

[Begin recording] We are in a position to assert that the report that the CDN was represented in the discussions of the State Council Committee in charge of issuing an opinion on the bill on political parties is absolutely and totally false. The representative of the Liberal Constitutionalist Movement participated as delegate of his organization and not as CDN delegate. As a matter of fact, the CDN reiterated during yesterday's meeting the concepts contained in a letter that was sent to Commander [Carlos] Nunez. This letter has already been answered.

It stressed that present conditions in Nicaragua are not adequate for continuing talks regarding a law on political parties. It included a recapitulation of the latest activities, or events, such as the incident that took place on 10 January during the civic march to the cemetery, when the mobs engaged in stone throwing, beatings and other actions which are well known to all Nicaraguans. [end recording]

CSO: 3010/692

COUNTRY SECTION

NICARAGUA

BRIEFS

CUBAN SUGARCANE CUTTERS ARRIVE--A Cuban brigade of 38 sugarcane cutters arrived in Nicaragua to participate in the sugarcane harvest for 90 days in the Camilo Ortega Sugar Mill on Cukra Hill, in the southern zone of the Atlantic coast.  
[Text] [PA250448 Managua International Service in Spanish 0030 GMT 25 Jan 82]

CSO: 3010/692

## COLONEL PAREDES' PRESIDENTIAL CANDIDACY ANALYZED

PA221850 Panama City LA ESTRELLA DE PANAMA in Spanish 20 Jan 82 p A-2

[Article by Juan A. Stagg: "Ruben Dario Paredes, Civil Candidate"]

[Excerpts] The 1984 electoral campaign is going to be hard and if the rules of the game are not harmoniously defined, it can be as dirty and negative as the one in 1968. Under those circumstances who will be the candidates for president and vice president, for the government and the opposition, is going to be very important, because this will be a factor determining whether the electoral campaign is going to be a civic altruistic act or a violent confrontation in which insults and feelings cannot be controlled. For example, if the opposition again nominates Dr Arnulfo Arias Madrid as their presidential candidate, we can guarantee right now that the electoral campaign is not going to be calm and orderly, but that revenge, insult and emotion will predominate.

On the other hand, the government's candidate should be a person who can obtain majority support among the government, national guard, political parties, business, workers, farmers and peasants. The candidate must have already proven his administrative abilities and have the capacity to face the country's complex economic, political and social problems--which will grow red hot by the time of the 1984 election campaign and for the rest of this disturbed decade.

This candidate must have the capacity to hold a dialog with the business and labor sectors in the country, whose harmonious common effort is important to maintain and increase the country's development, an important element to guarantee social peace and welfare for Panamanians.

This candidate should be able to govern with firmness and have credibility locally and abroad as the real center of power in the executive branch. In other words, power must return to civilians, and the president should be the supreme chief of the government. The national guard must make effective the return to the garrisons ordered and partially carried out by General Torrijos.

Ruben Dario Paredes' candidacy is not intended for the national guard to continue to control political power. Instead, it should end that control. The opposition no doubt will attack Paredes' candidacy, using as a slogan the 16 years that the national guard has been in control of the process. However, no matter who is candidate, the opposition will strongly attack the government and the national

guard's administration since 1968. That is why I feel that the government's candidate should be a person who has been closely involved in the process, with the national guard and the civilian cabinet, and who can talk with authority about what occurred during that period and who can adequately defend what was accomplished.

I think that if Colonel Paredes is nominated presidential candidate by a coalition of democratic parties, he will have the votes to win, which will mean a future of peace, work, order and progress for our beloved country.

CSO: 3010/695



## MANFREDO URGES UNITY TO GUARANTEE PEACE

PA220432 Panama City Televisora Nacional in Spanish 2245 GMT 21 Jan 82

[Text] Former state minister and incumbent assistant administrator of the Panama Canal, Fernando Manfredo, today urged that there be national unity as a factor to guarantee peace and freedom in Panama.

In his address today as guest speaker at the Rotary Club luncheon, Manfredo analyzed what Panama is at the present time, in his opinion:

[Begin recording] Panama so far has been spared the harsh experience of those countries living in a climate of anxiety caused by guerrilla warfare, criminal attacks and other terrorist tactics. This has been the result of the changes taking place in the country. Notwithstanding, this situation must not lead us to believe that such tranquillity will be maintained without great efforts. The forces plotting against freedom and peace never rest in their objectives to create disturbances as the economic, political and social conditions tend to deteriorate due to internal and external motives.

Preserving freedom and peace is at this moment the greatest challenge we Panamanians have, particularly those in leading positions. The rulers of the country must guarantee to its citizens that they will continue their efforts to satisfy not only their physical needs, but also their legitimate aspirations such as dignity, freedom, justice and effective participation in everything affecting their lives.

It is necessary to create in this country objective conditions to drive away the danger of violence by establishing more solidarity and strict norms to encourage our national unity. We must keep open the means of public communications, expanding the direct participation of the citizens in all political decisions. Democracy is not only a system of power; it is, above all, a way of coexistence. It is up to every Panamanian to make it a daily practice.  
[end recording]

In order to maintain the climate of social peace and freedom, according to Manfredo, there are a number of urgent political and social matters such as:

[Begin recording] Full employment, better education, health conditions and housing for all Panamanians, a profound social and physical development through

a better distribution of wealth, gradual correction of the area and regional imbalances, rational and methodical use of our human and material resources and improvement in production practices. We must practice full democracy, which includes as a most important factor the holding of honest elections in 1984, free of the imposition of candidates and of coercion, and with the full participation by the people and all political parties. There must be greater popular participation in the political decisions.

Ours must be a nation where absolute respect for the laws is observed, free of fear, where constant government reforms are made to respond to the needs of the people and where there are better opportunities for all Panamanians, regardless of their political or social position and better relations between management and the workers. [end recording]

To Manfredo, the only way to achieve a full climate of peace and freedom is through the joint efforts of all Panamanians.

[Begin recording] We have proved that it is possible to make social changes without disrupting peace. In the face of future challengers, we urge the workers, businessmen, political parties, militarymen, corregimiento representatives and legislators and, in general, all social sectors, to contribute to overcoming the disturbances and threats hovering over us, with a high patriotic spirit to serve the fatherland. We are convinced that through this joint effort we shall find the way to control and overcome them. The workers and businessmen are the expression of the creative efforts of economic activities; the political parties represent sectors of great influence in the social aspects of the country; the military sector is a part of the people and harbors the same aspirations and hopes; the corregimiento representatives represent ample forsaken sectors; and the legislators are the components of state power whose participation is of utmost necessity; in all, the entire nation because it includes all who live within its territory.

To maintain peace and freedom in Panama, our greatest challenge, we must raise the banner of national unity, a sincere unity, devoid of citizens of first, second and third classes, but citizens of equal rights and duties; a unity that will not disappear in the next presidential election, but one that will guarantee what we have mentioned: promising work, effective democracy and social justice. [end recording]

CSO: 3010/695

## PDC'S ARIAS CALDERON OPPOSES MILITARY CANDIDACY

PA172022 Panama City LA PRENSA in Spanish 14 Jan 82 p 1A

[Text] Dr Ricardo Arias Calderon, president of the Panamanian Christian Democratic Party [PDC] political committee, said yesterday that "a military candidacy would place the national guard, whether it likes it or not, in the position of a political party in the [1984] electoral confrontation, thereby rendering those elections the object of heated partisan debate and discrediting them."

He pointed out that because of its inevitable leverage, the national guard would become an obstacle to the peaceful democratization of Panama.

Arias Calderon also noted that, thanks to the continuing struggle of democratic Panamanian sectors, there is a process underway to democratize the country's social system. He added that this is being done at the level of public opinion, despite government attacks and threats against the independent media, especially LA PRENSA.

With respect to the country's institutional life, Dr Arias Calderon said: "The nation's fundamental institutions are still authoritarian, dating from the dictatorship period," adding that because of this situation, it is essential that institutions be democratized.

The PDC president believes that this democratization depends upon three factors. The first is the reorganization of the electoral tribunal. He indicated that "the current magistrates are not independent and have proven to be highly inefficient." "We need to create a supreme electoral council representing all parties and a trustworthy electoral code must be drafted, in order to avoid the tricks of the past."

Dr Arias Calderon places the second factor within the context of the attitude that may be adopted by the national guard. He says that "some statements indicate that the national guard wants to be politically neutral, that it won't allow the Democratic Revolutionary Party (PRD) to use it and that it will recognize the complete authority of whoever is elected by the people." He notes that "in this sense, the national guard is tending to move toward an increasingly professional institutionalization and would eventually be led to serving law and democracy." But other forces, Dr Arias Calderon says, "are pushing the guard from that path."

Dr Calderon notes that "the third factor is the combat strategy of opposition democratic sectors." He underlines that "democratic unity is necessary, and as soon as possible, to achieve a reorganization of the electoral tribunal and to create an atmosphere that reinforces the national guard's tendency toward professional institutionalization and diminishes the possibility of electoral intervention."

CSO: 3010/695

## TRADE DEFICIT TO BE CONTAINED IN 1982

PY202108 Asuncion ABC COLOR in Spanish 30 Dec 81 p 13

[Excerpt] The industry and commerce minister has announced that next year a package of measures will be implemented in order to reverse the ever-increasing deficit of our country's trade balance. He stressed that emphasis will be placed on increasing exports and reducing imports. During a press conference that he held to evaluate the behavior of the economy during 1981 and to outline its projections, he stated that inflation reached 13 percent, that economic growth amounted to 9 percent and he said that the renegotiation of the Itaipu Treaty is being studied.

Delfin Ugarte Centurion said that while inflation reached 13 percent in our country the average inflation rate for Latin America amounted to 60 percent and he again insisted that there is no economic crisis and that the economy's structure is firm, although there are some problems.

He announced that next year the government will implement measures that will lead to a solution to our country's trade deficit, mainly through an increase in exports.

He stressed that it is not possible to try for a reduction in imports because they are absolutely necessary for maintaining the country's productive capability; and he mentioned industrial equipment, agricultural machinery and equipment, and consumer goods, the import of which, he insisted, cannot be suspended.

Asked about the basic points of the policy for containing the deficit, he said that he could not yet give any information and that he is obtaining the opinions of businessmen in order to implement the package of measures.

"The government has it under study...that is my answer," the minister said when he was asked if the Itaipu Treaty would be renegotiated so that the country could obtain a just income from the undertaking.

CSO: 301G/706



## BRIEFS

ARMY PROMOTIONS APPROVED--According to Decree No 29,902 the following brigadier generals of the combat cadre have been promoted to major generals: Pedro Ramon Florentin, Eduardo Sanchez, Guillermo Clebsch and Luis Alberto Gonzalez Ravetti. The following colonels have been promoted to brigadier generals: Victor Manuel Florentin, Juan Vicente Rabito, Eleuterio Calvet Torres, Angel Juan Souto Hernandez, Jose Roa Benitez, Ricardo Bogado Silva, Rogelio Bartolome Argana, Eumelio Bernal, Ramon Humberto Garcete, Miguel Angel Berino, Juan de Dios Garbet, Alberto Anibal Nizza, Juan Manuel Campos Guillen and Francisco Sanchez Gonzalez. Col Hugo Dejesus Araujo of the services cadre has been promoted to brigadier general. [Excerpt] [PY222030 Asuncion ABC COLOR in Spanish 2 Jan 82 p 11]

NEW NATIONAL ACCORD CHAIRMAN--Alarico Quinonez became the new chairman of the National Accord. The Febrerista Party leader took over as chairman of the accord during a meeting the Coordinating Committee held yesterday in the Casa Del Pubelo. The meeting, which was the first one held in 1982, was presided over by outgoing Chairman Romulo Perina, the president of the Christian Democratic Party. It lasted more than 1 hour and it was attended by most of the committee's members. When asked about the matters discussed during the meeting, Alarico Quinonez said: "It was just a friendly and protocol meeting where the presidency of the Coordinating Committee was handed over to me. No other decision has been made." [Excerpt] [PY222114 Asuncion LA TRIBUNA in Spanish 15 Jan 82 p 2]

YACYRETA BUDGET CUT DENIED--Reliable sources of the Yacyreta Binational Organization this morning categorically denied press reports published in Argentina on an alleged approval of a \$70 million cut in the organization's 1982 budget. The sources said that "all reports concerning this point are completely untrue." They stressed that the budget approved by Yacyreta's Executive Committee amounts to \$935 million. They explained that "the Argentine party has made no suggestions about cutting the budget." They reported that the organization's Administrative Council will meet in Asuncion next Tuesday, 26 January, in order to consider the budget approved by the Executive Committee. On this occasion, the council may approve, disapprove or suggest changes in the budget. [Excerpt] [PY140033 Asuncion ULTIMA HORA in Spanish 13 Jan 82 p 8]

CSO: 3010/706

## BRIEFS

CONSTRUCTION WORKERS END STRIKE--Lima, 16 Jan (TELAM)--It was reported here today that the Federation of Civil Construction Workers this morning ended the general strike it called 2 days ago. No information has been given thus far on the agreements reached between the federation and the Labor Ministry to end the strike. Yesterday afternoon strikers staged riots in different parts of the city. After dispersing the demonstrators the police arrested 78 persons. A major incident took place in the San Borja area, where strikers attacked workers who had not observed the strike and eight persons were wounded in the clash. The strikers demanded retirement at the age of 50, that all temporary workers be given permanent jobs, that all dismissed workers be rehired, and for salary readjustments and payment of bonuses due. [Text] [PY190120 Buenos Aires TELAM in Spanish 1655 GMT 16 Jan 82]

DYNAMITE SEIZED, EXTREMISTS DETAINED--Lima, 12 Jan (AFP)--It was reported here today that the police seized 1 ton of dynamite during a dragnet operation against terrorists in the Andean Department of Ayacucho. Four extremists were also detained. It was also reported that last night a terrorist group seriously wounded a policeman in the capital of Ayacucho, located in the south central region of the country. The terrorists seized the policeman's submachinegun. The seizure of 1,000 kg of dynamite sticks and of 20,000 meters of blasting fuse took place in San Jose de Secce, a place which was occupied last week by a group of terrorists on horseback. On that occasion, the terrorists plundered the town's stores and subdued the five policemen at the police station. The station was blown up after the officers' guns were seized. One of the attackers has been detained together with three other extremists who, it has been assured, participated in attacks against public institutions in Canyara in Ayacucho. Violent actions have worsened in this department after the lifting of the 60-day state of emergency on 10 December 1981. [Text] [PY140047 Paris AFP in Spanish 1719 GMT 12 Jan 82]

CONGRESSMEN SUPPORT MINISTER'S STATEMENTS--Several congressmen have voiced their agreement with Navy Minister Jose Carvajal Pareja's statement that the armed forces will support the government in its struggle against terrorism. [Passage indistinct] [Text] [PY201531 Lima Radio America in Spanish 1130 GMT 20 Jan 82]

PRESIDENT HAILS ARMED FORCES--President Fernando Belaunde said yesterday that the conduct of the armed forces in a period of democratic government is of fundamental importance because it permits the maintenance of cordial relations with civilians, and this is essential for Peruvians to fraternally face any emergency. He noted: The climate of cooperation, support and dialogue prevailing between

the armed forces and the civilian government is gratifying and it proves we are moving on the right path with a firm sense of direction. The chief of state made these considerate remarks about the armed forces during a ceremony in which Air Force Gen Hernan Boluarte Ponce de Leon was recognized as new president of the Armed Forces Joint Command. General Ponce de Leon is commander of the Air Force. The private ceremony held in the Salon Dorado of Government Palace was attended by the economy and finance minister, the commerce minister, the navy minister and the air force minister, as well as by the army and navy service commanders. [Excerpts] [PY201148 Lima EL COMERCIO in Spanish 5 Jan 82 p A4]

NEW MILITARY OFFICIAL--At a ceremony held in Iquitos, Army Commander in Chief Gen Francisco Miranda Vargas administered the oath of office to Brig Gen German Ruiz Figueroa as commander of the 5th military region. [Lima EL COMERCIO in Spanish 10 Jan p A-4]

NEW ARMY COMMANDER--The new Peruvian army commander, Gen Francisco Miranda Vargas, yesterday expressed his complete support for the constitutional government presided over by President Belaunde Terry. He said: We are not granting this support merely to comply with what is established in the constitution, but because we are aware that this is our duty to Peru and to our people. Speaking at the ceremony in which he assumed his duties as army commander, General Miranda Vargas noted the objectives he will strive to achieve during his term as army commander. Among these objectives are the improvement of the administration by training personnel in the latest scientific developments and by enforcing a strict discipline, and the renewal and increase of army equipment so that in case of an emergency the country will be able to defend itself. [Excerpt] [PY201813 Lima EXPRESO in Spanish 1 Jan 82 p 3]

ULLOA LEAVES FOR WASHINGTON--Lima, 22 Jan (AFP)--Peruvian Prime Minister Manuel Ulloa will leave tonight for Washington where on Monday he will sign two credits to be used in his country's economic development programs that total \$330 million. [Words indistinct] this afternoon, the prime minister said that on Tuesday he will leave for Lisbon where he will attend the Inter-American Development Bank [IDB] governors conference. Ulloa said that one of these credits, totaling \$300 million, will be issued by an international banking consortium. This credit will be used in transportation, by the National Development Bank and in public works. The other credit, totaling \$30 million, will be granted by the IDB as a support for the Peruvian Agricultural Bank which will thus expand its aid program for the small and medium sized agricultural sector. [Text] [PY230134 Paris AFP in Spanish 2257 GMT 22 Jan 82]

CERRO VERDE COPPER PROJECT--The Peruvian State Mining Enterprise will invest \$300 million in building the second stage of the Cerro Verde project in Arequipa, which will permit an annual production of 200,000 metric tons of copper concentrate, equivalent to approximately 70,000 tons of fine copper. [PY221206 Lima EL COMERCIO in Spanish 23 Dec 81 p A-4]

CSO: 3010/708

## CHIN A SEN ON POLITICAL DEVELOPMENTS, PLANS

Amsterdam ELSEVIERS MAGAZINE in Dutch 19 Dec 81 pp 46-51

[Report of interview with Chin A Sen by Alice Oppenheim]

[Text] You can now get there directly via the heavens. After 9 hours' flight from a high-spirited but anxious and aggressive Europe, friendly Paramaribo is almost a haven of refuge. Western civilization's worries about nuclear defense strategies, technocratic illiteracy, and psychosomatic stress effects have disappeared. A great deal remains to be done in Suriname, but compared to the problems of the poorest of the poor and the richest of the rich the developments in the now 6-year-old republic can be described as growing pains. For Suriname is growing like grass. Alice Oppenheim talked with President Henk Chin A Sen, who said: "The biggest mistake we can make is to put money into gigantic projects while the masses of the people cannot draw clean water from the tap. Something like: 'While the grass was growing, the horse died.'"

Sunday morning in Paramaribo. On the terrace of the lovely white presidential palace the Dutch Creole doctor is joking with the Asiatic adjutant, while a Javanese pours coffee and the Chinese photographer is setting up his tripod. In the composition of this little group the old Netherlands urge to accomplish great feats is clearly discernible. On the stroke of 10 o'clock Henk Chin A Sen comes down the stairs that lead to his apartments on the second floor. Jewish high spirits show in the corners of his eyes until his face sets in Chinese cautiousness. He is short and sometimes exuberant. On his belt three holes used earlier may be seen. Many people still address him as "president doctor" or as "doctor president."

Until the beginning of last year [1980] Henk Chin A Sen was an internist in a big Catholic hospital in Paramaribo. He hardly concerned himself at all with politics. When the military seized power on 25 February 1980, Chin A Sen got a phone call. "First whether I wanted to be Minister of Public Health. I did not. A few days later they called up again. That time they needed a prime minister. What have I got to do with that, I said." Henk Chin A Sen refused until his knees gave way. "I was swept off my feet; everybody overpowered me with pressure. I finally gave way. I think they wanted me because my image was acceptable to both Right and Left. I had a big income as internist, had a very big practice.

And even though I treated half of my patients for nothing, I earned a great deal and it often troubled my conscience. I never cared much for material things, but the fact is that I bought a nice house and rode around in a big Mercedes and yet in my discussions I always stuck up for the weaker members of society and was very leftist in my ideas. They called me the capitalist Mao Tse-tung. That behavior acceptable to Left and Right, combined with my medical-scientific approach and my willingness to listen, probably turned the scale."

On 15 March 1980 Chin A Sen was officially installed as prime minister. After only a few weeks he found it hard. "There was even a moment, in April 1980, when it appeared that a split would come about within the military, and there could have been shooting, with all the consequences that would follow from that. Fortunately we could ward that off. The army has gradually quieted down since then." During those months the parliament was eliminated. "There were people sitting in parliament who had an interest in restoring the old order as quickly as possible. The old order was totally corrupt; it did not serve the people's interests... I was thus really a legal dictator. The distribution of authority was established in a decree. We are governing by decree; people abroad do not understand that. It is said that it is not democratic. But I feel that we are wrongly judged. Those decrees do not come out until we have heard and consulted all groups concerned. If there are still objections after that, they can present the objections and then the decree is adapted. It is an unusual way of working, but you cannot get along without it in the field of force that exists now on the way to a new order. We must do away with everything that works badly; otherwise we might as well forget all renovations. And you have seen with your own eyes; there has never been so much democracy as there is now. Everybody can come here, and then we start seriously looking for solutions. The cabinet meets very often, and we go into all districts. My experience is that otherwise the people out there end up on a level with structures that disappear into the desk drawer. They also know that the army now also shares responsibility for the conduct of policy. It is time-consuming and sometimes deadly tiresome."

In the last year and a half Chin A Sen has become not only fatter, but also visibly older.

"I suddenly found myself in a bureaucratic system, and I had no administrative experience.

"I had only been president of a football club and, back when I was in the Netherlands, head of ONS SURINAME. After the initial chaos I began studying management technique. Later I read about development strategies, and studied Galbraith, among others. For the most part I did that in the evening, for at first you have to learn a great deal. I was greatly predisposed in favor of Nyerere's views and the self-reliance idea in India. We are trying to learn from the history of other peoples and make use of bits of it for the reconstruction of Suriname. I do not believe in liberal capitalism; experience has shown that that system leads to a socially unjust society. Nor does Marxism have what we really want; I have no sympathy with the principle of total equality. Man must have incentives for development. The Netherlands," he says, quite wideawake and coolly, "the Netherlands does quite nicely, really. Oh, democracy is a utopia, of course, a relative question. That the final decisions are reached outside the masses of the people is a bad system, but thus far it is the best that we have. The Marxist fairytale does not fit the human character at all; capitalism fits it better, as



experience teaches. Everything that lives is primarily oriented toward self-preservation."

The cane chair he is sitting in creaks as he sums up like a schoolteacher: "Breathe, eat, provide for the maintenance of the species and the pleasure in it ... That is the way it is."

The doorman grins; he is in agreement. Chin A Sen's eyes follow a bothersome mosquito. Precisely at the right moment, "slap," and the mosquito has had it. Such an opponent the president seizes with his two bare hands.

Hendrik Rudolf Chin A Sen (Chin is the real family name, A Sen was his grandfather's given name, and Hendrik Rudolf comes from the Netherlands administrative system) attended the higher elementary school in Paramaribo and then--also in Paramaribo--took medical training. As a child he wrote an essay after a trip that the multinational Suralco had given him because he got the best scores on his final examination. "I was able to take lessons in philosophy under Father Willebrands, the cardinal's brother, and I was able to start writing for the new Suriname newspaper, also under Father Willebrands's editorship. The Catholic world thus did me a great deal of good until I began thinking things over and began to depart from the dogmas. Now I am no longer an active communicant. As chief of state I do sometimes go to the church for a consecration or something, but that applies to all religions. I do still sometimes offer up a little prayer. Never in politics; to me politics is not a question of 'to be or not to be.' I am a physician with all my heart and soul."

The 47-year-old president wipes the sweat from his forehead. "I was a family physician here first. That used to be called 'geneesheer' [medical man], while those trained in the Netherlands were called 'physicians.' The doctor from the Netherlands was higher, although medicine is not only science, but also knowledge of the people. The Netherlands doctors were also better paid. When I went to the Netherlands to specialize, I first had to do my doctoral, semi-,\* and qualifying examinations over again. After that, in Utrecht, there were certain professors that belittled you... 'You were trained in Suriname... That is a different kind of medicine...' Professor Nuboer did not even look at me. With his eyes on the ceiling, he said: 'I am not going to make any distinction; you must know exactly the same amount as the people here. You must work through all of the material again.' That was nonsense, of course. We were culturally dominated by the Netherlands, an easy-going sort of exploitation. The most important posts here were always occupied by people from the mother country. The Billiton smelting works was not here, but in Delfzijl. We were kept under tutelage, and gradually we developed a deep inferiority complex. We had no say; the governor had it all his own way. The cult of royalty that was here... When the queen was a year old, money was raised among the population for a present and on the actual day the children, probably out of their own money, got a ball with candy in it. I considered that making fools of the people. And in World War II, when Suriname and the Netherlands Antilles were the only unoccupied territories, the royal family retired--some said fled--to Canada and not to the part of the kingdom that was not occupied. That was a great disappointment. When Napoleon threatened Portugal, the king went to Brazil, and that did Brazil a great deal of good economically."

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\*Next to last examination taken by a medical student.

Everybody on the terrace held his breath and nodded. "No strong Suriname nationalism has ever been cultivated," said Chin A Sen resignedly, "in the sense that loyalties were felt toward the country; no maximum effort to ennoble and uplift the country. The result was that we had conditions here under which a minister who had done the country out of a million [guilders] was applauded by his supporters when he got out of prison. Their primary loyalty was to their group and not to the common interest. That is changing greatly now, especially among the young. There must be an end to group interests; we have a common destiny and future. We can no longer permit politics to overemphasize the differences in our society, and we must get rid of the--in my eyes--schizophrenic situation that the children are always reading from little Dutch books about ice and snow. Our neighbors speak English and Spanish, we speak Dutch; that is really crazy; it makes us an enclave. That is why we are seeking more and more contacts within the Caribbean region. Many countries that have become free after years of colonialism make the former mother country a scapegoat to cover up their own faults. I often run across that here, too. I oppose it, although I admit that a thing like that is very hard. It will never go away entirely, especially as long as the blah-blah Netherlanders keep holding forth. That self-importance, that assumption of superiority. My strongest weapon against that is ridicule. Unfortunately, they often do not even notice that."

The growing self-awareness of the Suriname leaders has led to the city of Paramaribo's looking much nicer and more beautiful than it did a few years ago. Anyone who does not keep up his house and yard gets first a warning and later a fine. The midnight curfew ensures that there is order and quiet until 4 a.m. Every evening the television news gives a summary of all social activities in the country. Information about the Netherlands is given only if Suriname interests are directly involved. Only the results in the Netherlands soccer tournament are read out in full. News in Suriname is primarily news from the Caribbean region, including news from Cuba. Sergeant--correction, Lieutenant Colonel--Bouterse now has a Castro beard and cap and looks more dangerous than ever. And the others do not seem to misunderstand.

Power looks different and laughs differently. Thus Chin A Sen laughs loudly and says in a sprightly way: "We are not children, you know. We all know quite well what we want. As a group and as individuals. But if you get things lined up right, nobody can talk you down. There are indeed a number of agreements that have not been carried out, but we have evolved and made a choice between alternatives. In a natural revolutionary process you may zigzag, of course. When the military seized power, they were left with the hot potato of the complete responsibility for governing. The first thing they did was issue a communiqué that they thought differently about a week later and a month later differently again. That was understandable; they had no administrative experience whatever. Thus for me as a leader, from the very outset it was the art of listening that I needed most. The patient's account, the case history, is the most important thing; you establish the diagnosis 40 percent of the time by that. It is a scientific method that always holds good. Politics is conflict management and the art of the attainable. Besides tact, I have to keep an eye on complete integrity and point out rational arguments. If that does not work, I adjourn. Adjournment and postponement is a good, effective way of bringing points of view together. That way you can lobby outside the meeting. I have sometimes taken wrong positions myself. I wanted to abolish the special court that is dealing with the big cases of corruption from

the past. That court caused so much human suffering in the families--I got a lot of letters about it--that in view of my reconciliation approach I felt that those cases needed to be disposed of quickly.

"I wanted to channel the whole affair to the regular judges. You know, the judiciary is the only branch of government that was not interfered with. After violent discussion I came to the conclusion that I must drop that demand. We are waging a big fight against corruption and I have said that we in the government must set an example if the people are to have and continue to have confidence in us. If we discover anything among administrators, we intervene immediately; a number of ministers have been sent home for that reason. A short time ago we made the decision to have a bridge built over the Suriname river; one high-placed official was found to have immediately bought a piece of land on the far side, and we considered that sufficient reason to relieve him of his office. Falling back into the former practices must not happen. I know that I am making enemies of many over this; every day you affect the interests of private individuals for the sake of the general interest. You hit people in the pocketbook, and they never thank you for that. But so far I can still move about the city without bodyguards."

It is true, the good-humored president takes a walk every day. He is there when the new water pipe to the rural area of Commewijne is ceremonially turned on, he visits the couples that have been married 50 years, and he lays great numbers of cornerstones. At the opening of the modern labor building he could not even refrain from dancing with the women who challengingly invited him to do so. He looked quite uninhibited and exuberant doing it, too. "I sometimes ponder over whether all this makes me happy; as an internist I was much freer--in those days I sometimes went 'drilling,' as we say in Suriname. 'Drilling'--you leave your wife at home and go out on the town with a few friends; you drop in at parties uninvited. I no longer have that freedom now, I have to set a good example. In the past the leaders did not take that into account; they really played around. We must take the lead in moral matters. I have a number of principles left over from my Catholic upbringing. The Ten Commandments... Thou shalt not kill. Thou shalt not steal. Thou shalt not commit adultery..."

Chin A Sen burst out laughing. That laugh may well have a disarming effect sometimes on the collection of outwardly unapproachable officials and power-minded people around him. A single loud burst of laughter sometimes gets you more than an uncompromising clenched fist.

Since Chin A Sen read the declaration of his government last year, containing the new urgent program, the 1,000 housing units announced then have already been completed within the announced time. The three irrigation projects that are to ensure that the residents of Paramaribo will no longer have to wade up to their ankles in mud during the rainy season are being worked on hard and visibly. The big prestige projects have been left lying. It appears that the Netherlands development money is now actually reaching the people for whom it was intended in 1975. People who apply only political yardsticks find that the Chin A Sen government is following a socialist course. In regard to that, the president himself says: "I keep hammering at the notion that we must improve people's living conditions." When asked about his political creed he shrugs silently. "Just call it Suriname socialism. We are striving for a social constitutional state, in

which the principle of social justice must be firmly established. Insofar as that is possible. We have no model at all to serve as an example, but it will tend more toward the American model than the Cuban, as far as I am concerned. We hope to be able to restrict the number of political parties to two; I myself would be very happy with that. Our experience with the multiparty system is that minority groups often determine what happens, because one group will determine the balance of power out of political considerations. We will also make it quite clear in the constitution that no political party can be based on religion or race. This may cause a certain amount of hubbub, but I am not afraid of that. We are in the midst of a revolutionary process in which the people who have always had a privileged position will have to give up part of their power. It is an experiment; time will tell how it will work best.

"The ultimate power must reside with the people. I am also for the system of a referendum. We cannot go on governing indefinitely without official legitimacy, as we are doing now. We could best establish the constitution by way of a referendum. It may be a problem to bring things back to a normal situation. Experience has shown that people do not readily give up power. I am inclined toward optimism; I have the feeling that the military will be willing.

"The final model must be available before January [1982]. I may be mistaken, as I have been mistaken in the past years in agreements on which they reneged. But you cannot rule a country like Suriname long at the point of an Uzi [a kind of submachine gun]. We have different organizations from those in Latin America; our trade unions are strongly developed. But I am strongly opposed to the military's withdrawing too quickly; they have brought discipline and peace out of chaos and are mapping out policy together with the civilians. And so I want to move toward an arrangement in which I would put the military in a position from which they can control well. They would be able to see to it that the coming elections are run honestly, and as far as I am concerned they can participate in the national legislature as an interest group. Those with personal aspirations can see what they can do. Haig has been a general, too; no problem. There are military men that I have seen grow day by day as administrators. I can well imagine that there are future leaders among them."

The Netherlands public is turning more and more against the Surinamers in the Netherlands. Chin A Sen knows that. "Well, yes... They are no longer Surinamers; they are Netherlands, with a Netherlands passport." It sounds inexorable, as it still does when he says: "That is purely political; emotionally I know that they are Surinamers who feel and think as Surinamers. That is a tragedy; that is dividedness. But still, those people fled this country in a difficult phase; anybody that did not take part in the corruption at that time was out of things. If they come back now, they have chosen the path of least resistance."

Chin A Sen is at a loss. "Well, yes, they ought to come back, although they cannot all come back at the same time. If they did, we would get into the greatest difficulties. In the first phase we shall have to begin with *selective remigration*. I am now getting a good 100 letters a week from people who want to come back. Emigration has practically stopped. The remigrants must be able to go to work here immediately, to make room for remigration of the others. At the moment we are hiring only the better educated; the others can only come at their own risk. We have no jobs for them. It is more an emotional than a practical problem



for me; they are Netherlands, after all... The Netherlands would like to get rid of those who have little chance as quickly as possible. The aggressive, the drug addicts. I have told the Netherlands government: 'If we are going to talk about remigration, you must not forget the financial clause. The golden handshake of 2.5 billion has now turned into bronze; it has not proved stable. You have been penny-wise and pound-foolish. You have put billions of guilders into welfare foundations for Surinamers, while you are not willing to talk with us about a remigration subsidy. Why can the foundations' money not be used for this? I will gladly house everybody; there is plenty of room; even fugitives. But why must my budget bear that burden? If the Netherlands helps us on a big enough scale, with nurses and hospitals, we will even take all the problem cases back. But do not forget, it is a frightful job we are faced with. The Suriname society was really bankrupt at the beginning of last year [1980]."

When the comparison with the Moluccans' demonstrations comes up, Chin A Sen, who was in the Netherlands when the Moluccan youths first began to stir, says: "Those troubles may come up with the Surinamers in the Netherlands, too; I am quite well aware of that. But our great problem is finances; be sure to put that in. And tell how well things are going here now, too; you have seen that for yourself. For that reason I hope the Netherlands officials will no longer make it so hard for us in granting development aid, with all the procedures and financial exercises. The more room we get and the faster everything goes, the better and faster we can receive the people. D'66 [Democrats '66] favors development bureaus in the countries themselves. High officials from the Netherlands who come here and if necessary breathe down our necks with 'you can do this' and 'you cannot do that,' but who at the same time keep up with the country's decisions."

The pleasant, open-hearted president saw the chance to turn the precarious, but so far successful revolution adventure into a practical administration in a short time. "I have never had to be corrupt, myself," he gives as his most important personal reason for his success. "When all the ministers' salaries went up, I froze my salary. I had money, myself. The annoying thing is that that money has quietly run out. If I keep on this way long, I shall get into financial problems. I now get 5,000 guilders a month plus 2,500 for entertaining. Because the cabinet meets here almost every day, that is not enough. That should not be so, of course, but I said... think nothing of it, that will just come from our savings. I have four children in college, one of them living in America and two in the Netherlands. They cost 800 a month, so you can figure it out. Oh, well, I still have a house of my own that is rented out, and a summer cottage... For the rest, I think I can still cope for a while yet. There will probably be a crucial moment for me when the régime has to be legitimized. I have seen myself as a transition figure from the beginning, partly because I have never felt drawn toward politics. I would rather not do this long. I would be happy if I could go back to the hospital. They will take me on there any time. Mentally I could do that comfortably. If I have to resign tomorrow, I will probably be in a hospital next week for a briefing session. In the past I have twice been on the verge of resigning. I have also said: As long as I function well in the general interest, I will stay until you know of somebody better. There are better people, but they do not come forward."

Goodnaturedly, he slaps himself on the belly and swings back into the rhythm of a Sunday morning session in the palm grove behind the palace. Then he says, with a grin that stretches from ear to ear: "I can still play all the way through a basketball tournament. So I will be able to get along."



## CALDERA DISCUSSES GALLUP POLL, POLAND, ISRAEL

Caracas EL NACIONAL in Spanish 28 Dec 81 p D-1

[Article by Jesus Eduardo Brando]

[Text] "The election campaign doesn't begin for another 15 months, and the Herrera Campins administration has 2 years left. This is why I have not yet thrown my hat into the ring, as I do not want to interfere in any way with the constitutional president's freedom of action. This is why I have commented that 'I am swimming with my arms tied behind my back,'" remarked former President Rafael Caldera as he returned to Venezuela and was asked what he thought about the findings of the latest Gallup poll.

Caldera said he was very pleased with what he got done during his 26-day swing through Spain, Italy and Israel. He noted upon returning that there have been two developments that he regards as significant for the Herrera Campins administration. "In the triple plane hijacking incident, the government exercised its authority firmly and made it obvious that those who still operate outside the law in Venezuela do not build up enough hatred to decide to commit horrible crimes once again." The other point in the administration's favor was its successful organization of the Bolivar Games.

## Polls and Candidacies

Active and always posted on domestic political developments regardless of time or place, Caldera is thoroughly familiar with the results of the latest Gallup poll. He stated that such polls always reflect, to a greater or lesser degree, more or less how the public feels, and even if several polls are looked at, they gradually convey a believable picture that varies as time goes by.

"Lusinchi is at his peak right now, which I attribute to the high percentages that he gets in the polls, decisive percentages within his party (AD), and thus all of the voters leaning towards AD pick him."

The founder of Venezuela's COPEI remarked, however, that "I do not feel that this is any reason for us to get alarmed." He recalled that during the year drawing to a close he took 14 overseas trips, acknowledging that

"therefore, you cannot at this point ask the voters to express themselves for the record. Moreover, all of the polls show a conclusively favorable opinion among the sectors surveyed."

Mr President, nevertheless, Minister Rafael Andres Montes de Oca confirmed last week that his campaign for the COPEI nomination is imminent. How do you think this situation within your party will be resolved?

"Along the normal channels through which the party expresses its majority decision, with those who have held differing positions abiding by that decision."

#### The Administration's Image

We mentioned to Caldera that the Gallup poll found that one out of every two persons surveyed felt that "President Herrera spends too much time on unimportant matters" and that 78 percent of the respondents felt that "the government is not doing much for the poor."

"How the voters feel about the current administration and what they want in a future administration are two very different things. With regard to the former, it would be naive to deny that the polls reflect displeasure (with the government), which is often the case in democratic countries at the midpoint of a term of office. But I sincerely trust that this opinion is going to improve appreciably and I expect that the verdict of history will be favorable."

The former president reflects for a second and then continues his remarks with an eye towards the 1983 elections. "But the voters are not going to be passing judgment on this, because the issue is not the reelection of President Herrera Campins, which the constitution prohibits. They are going to decide who heads the new government, and this is going to depend on how confident the voters are of the qualifications of the person they are going to elect chief of state and on how confident they are about his programs and the pledges he makes to the people."

"This is what is going to come out during the election campaign, which under the law is supposed to begin in April 1983. But this is still 15 months away, and this is why Eduardo Fernandez has said that 'Rondon has not yet begun to fight.' And as far as I am concerned, although I have not for a minute abandoned my concern about and interest in national problems, I have decided not to launch a full-fledged campaign when the Herrera Campins administration still has 2 years left. I do not want to interfere with his freedom of action in any way. This is why I have also remarked that I am swimming with my arms tied behind my back. The time has not yet come to untie them..."

Caldera resorted to the language of horse racing to point out that he is showing potential rivals around the track, so that they will do their trial runs, check their times and get ready for the running of the lengthy classic.

## Pluses and Minuses

He then gave a rundown of his own pluses and minuses in seeking a second term as president. "What I have in my favor is that the country knows me and that I do not have to 'sell my image,' as advertising men say. Furthermore, even my most bitter adversaries acknowledge the sincerity of my words and the good will that I have always shown in defending whatever I say or do."

As far as minuses are concerned, Caldera was slower to talk and more explicit. "My status as a former president obliges me not to meddle in the activities of the current administration, so that people can't say that I am trying to be a second president, which, moreover, President Herrera would not tolerate. On the other hand, they are trying to saddle me, as a party leader, with direct responsibility in the actions of the present administration."

"In other words, on the one hand the idea pops up, and rightly so, that there cannot be one president in La Casona and another in 'Tinajero,' and on the other they want to make me directly responsible for the performance of an administration in which I cannot and must not play a role."

## Economic Recovery

We commented to the former president that government and COPEI spokesmen have repeatedly announced that 1982 would be the year when the economy recovers and the administration's low popularity rating turns upward. In contrast, however, as 1981 draws to a close, we are looking with bated breath at a heated controversy among the president of the Central Bank, the Energy and Mines Ministry, Petroven, the CTV [Confederation of Venezuelan Workers], FEDEPETROL [Petroleum Workers Federation] and the operating companies concerning whether or not our number one industry is being properly run.

"Problems such as this are analyzed and discussed publicly in every democracy in the world, and this helps the country to get interested in what concerns it and to clarify a government's policies, which must always have the support of the people."

With regard to economic recovery, he confirmed that this is an issue that the national leadership of COPEI and he personally have stressed. "And we must hope that the upcoming year brings a recovery, in keeping with Venezuela's needs and characteristics as a developing country."

## Poland and Israel

The former president kindly agreed to comment on his meeting with Pope John Paul II during his visit to the Vatican.

"My wife Alicia and I conveyed to him our affection and devotion, as well as our concern for his health. Right after this, of course, we talked about Poland. I expressed to him our solidarity in connection with the troubled situation that his people are experiencing and I related to him the details of my visit to Poland several months ago."

"His Holiness spoke very frankly with me. He said that everything possible must be done to save the Polish people and, on the other hand, to ward off a very grave danger for all mankind. The first thing to do is to pray to God and ask Him not to forsake Poland or other nations of the world in such trying times."

The president of the World Inter-Parliamentary Union said that in addition to telling the Israeli foreign minister that he felt the annexation of the Golan Heights was a bad move because it endangered peace in the Middle East, he also conveyed his views to the Knesset.

"I made it clear at a joint session that our (Venezuela's) position is one of great friendship and understanding towards Israel, as well as towards other nations. It is our desire to maintain a just position, not with a negative impartiality but with a friendly, active neutrality in a bid to further the objective of peace in the Middle East."

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## CALDERA'S ROLE WITHIN COPEI ANALYZED

Caracas EL NACIONAL in Spanish 29 Dec 81 p A-4

[Article by Carlos Blanco: "Caldera as a Protest"]

[Text] It is not easy for those of us at odds with the current administration and the party that supports it, to assess the nuances and contradictions in the camp that we oppose, because this could apparently serve to blur distinctions or to lessen critical emphases. However, I am one of those who feel that if we are not clear on the circumstances in our own terrain and in the other fellow's, very poor policies will result. In this regard, consideration of what is happening in COPEI, in the administration and between the two is basic to an accurate forecast of foreseeable developments in national politics.

Before specifically addressing the significance of former President Caldera in COPEI, I will say that at given historic junctures leaders often represent not only what they would like to represent but also at times come to speak for processes that go far beyond their intentions. In not a few instances they become symbols of positions that they have strongly opposed. This is because the role of leaders is the result of a combination of extremely complex forces that place flesh-and-blood individuals on the cutting edge of many contradictions, trapped between what they would like to be and do and what the dynamics of contrasts imposes on them. This is why the political leaders who pursue their goal single-mindedly and fail to keep an eye on the direction of social forces wind up resounding failures, regardless of how hard they try. Contemporary Venezuelan history is full of would-be presidents and furtive candidates.

Caldera has traditionally represented COPEI's most conservative forces, with links to the most reactionary clerical factions and with a social base in the Andean peasantry, in certain very conservative rural and urban middle class groups and a longstanding youth faction that feels threatened by the specters of communism, liberalism and other perversions. This was Caldera's traditional constituency, and as international Christian Democracy underwent transformations and as COPEI was experiencing its own internal contradictions, a dissident, communitarian and combative faction took shape; there were many sides to it, but its best-known national figures were Luis Herrera Campins and Rodolfo Jose Cardenas. This is ancient history by now.



Nevertheless, as time has gone by, we can place what Rafael Caldera and Luis Herrera have symbolized in contrast, above and beyond well-intentioned New Year's resolutions. The fact is that both inside his party and with respect to what he is doing in government, the current president has become the antithesis of what he wanted to represent. The former progressive who succeeded in consolidating a dissatisfied, combative "Herrera faction" has become the Latin American political leader with the most submissive relationship with the empire ruled by Reagan and Haig. Not since the days of Betancourt, when the anticommunist hysteria reached its peak, have we seen in Venezuela policies more deliberately favorable to the most reactionary groups, as symbolized by that disgusting relationship with Duarte in El Salvador.

Within COPEI, Luis Herrera had managed to represent the discontented and the underprivileged, the people who did not enjoy the favor of traditional leaders. He also managed to put together a formidable nationwide social alliance that he rode to the presidency of the republic, as a reaction to the wild-eyed 5-year term of Carlos Andres Perez. But if we look at the bottom line objectively, we will see that President Herrera has become the most isolated chief executive in the history of Venezuelan democracy, as of 1958. The social bloc that swept him into government has dissolved; the coalition that he managed to put together in COPEI is breaking up, and many of the protestors who had seen him as a symbol are no longer so enthusiastic.

It is these inconsistencies on Luis Herrera's part that to an extent explain what Caldera objectively means within COPEI and to a great many Venezuelans. The former head of COPEI's conservative faction is today becoming the spokesman of the discontent over the unfulfilled promises made by the former leader of COPEI's progressive faction. Thus, the roles have been reversed, and Caldera (who knows whether in spite of himself) will have to respond as a symbol to those members of COPEI who want a progressive course within the bounds of Christian Democracy.

But in a tragedy (and this is one) the unfettered interplay of the characters is just a trick that they never fully grasp, and they therefore eventually bring about their own inevitable downfall. Either Caldera takes issue with the administration and comes out losing or identifies with the administration and comes out losing even worse. His ambitions and his air of an advanced scholar notwithstanding, the dilemma facing Rafael Caldera (along with his better chances and greater risks) is perhaps among the most awkward confronting any politician in Venezuela today.

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## LEFTIST PARTIES' REACTION TO POLISH SITUATION DISCUSSED

Caracas EL NACIONAL in Spanish 28 Dec 81 p A-4

[Article by Alfredo Baldo Casanova: "The Venezuelan Left and Poland"]

[Text] Venezuela's major leftwing parties have taken two radically different stands on the assumption of total power by the Polish military.

Representing MAS [Movement for Socialism], its secretary general, Pompeyo Marquez, said that the coup "could put a final stop to the democratization process that was taking place in Polish society," and its repercussions in Europe and the rest of the world are negative for all those who aspire to a harmonious coordination of freedoms and the construction of a new society. He concluded by denouncing these "ominous moves that strike a blow at the chance for a democratic and socialist Poland."

To Radames Larrazabal, a member of the Central Committee of the Venezuelan Communist Party, the military coup in Poland was, in contrast, the response by the State, the Polish Communist Party and the socialist countries to "the offensive by the leadership of Solidarity, which listens to NATO on the one hand and the Vatican on the other...in an attempt to destabilize the system and return to the capitalist forms of government," adding that "the current Polish Government, headed by Jaruzelsky...is complying with the law in its bid to guarantee the consolidation and strengthening of socialism."

All of this clearly shows, once more, the drama of the various factions of communism. This is the same sort of strife they have suffered ever since Stalin's purges; since the German-Soviet Treaty by virtue of which Hitler and Stalin carved up Poland; since the brutal crackdown on leftist dissidents by the Spanish Communist Party during the Civil War; since the events in Prague and Budapest and so many other places, when the desire for socialism with a human face confronted the harsh realism of the faction that blindly follows Moscow's "diktat."

To the members of MAS this was such a profoundly tragic situation that they refused to subject themselves further to a discipline aimed at backing the Soviet Union's expansionist designs and split from the Communist Party in 1968 after the so-called "Prague Spring" was crushed by Russian tanks.

But once things got to the point where they are now, the question arises as to what other option General Jaruzelski had; at least he chose a Polish solution, because the alternative was an invasion of his country by the combined forces of the Warsaw Pact.

What is more, people are awfully naive if they think that the Soviet Union, the country whose might supports the offensive to destroy capitalism, would tolerate movements, no matter how respectable and idealistic, that could infect the entire communist system with many destructive elements.

Communism, at least in the form that Lenin conceived of and imposed, is a dictatorship of the proletariat or of the "nomenklatura" (to use the term that a recent book has made fashionable) that brooks no opposition, challenges or doubts, and those who think it might wind up sadly disillusioned.

Socialism has a fearsome enemy, capitalism, as Salvador Allende tragically found out and as Francois Mitterrand is beginning to discover just at a time when his party has started to dissent from its communist allies over Poland. The outflow of capital from France and the instability there have already moved a brilliant journalist like LE MONDE's Andre Fontaine to write about the dangers of a civil war.

There is only the socialism (or its caricature) in which Soviet power backs a takeover with its enormous resources. Yesterday under Stalin and today under Brezhnev, things are no different, and it is ultimately people with the trooper's faith of a Radames Larrazabal who advance the arguments that, regardless of how painful they sound, are true if they want to live like communists in the face of capitalist aggression.

They will say that Marshal Tito successfully played the role of a dissident in Yugoslavia. Well, the exception confirms the rule, and besides this, when his small nation stood up to Stalin, it was not alone, because the United States and Western Europe lent him massive support.

But the case of Yugoslavia is unlikely to be repeated, just as it is problematical whether Nicaragua, in Uncle Sam's backyard, can achieve the degree of communism that some of the Sandinist commanders would like to establish, or whether General Pinochet, whom Washington backs in something as illegitimate as what his comrade-in-arms, General Jaruzelski, did, is going to fall and give way to the men of Popular Unity.

Whether we like it or not, the world is dominated by the superpowers, who will not allow developments to proceed much beyond the fragile point of destabilization in their spheres of influence. Today's harsh, pragmatic world will not likely see the rebirth of freedoms where missiles or tanks are the ultimate argument and where our choice is under whose wing we wish to place ourselves and whom we wish to serve, because as free men we have been reduced to a paralyzing powerlessness.

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